NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF CTOS DIGITAL BERHAD *(FORMERLY KNOWN AS CTOS HOLDINGS SDN BHD)* ("CTOS DIGITAL" OR "COMPANY") DATED 30 JUNE 2021 ("ELECTRONIC PROSPECTUS")

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Electronic Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad's ("**Bursa Securities**") website at www.bursamalaysia.com ("**Website**").

Availability and Location of Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from the Company or the Issuing House, Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus, subject to availability, from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective applicants should note that the application forms (except for Blue Application Forms) are not available in electronic format.

Jurisdictional Disclaimer

The IPO and the distribution of the Electronic Prospectus are subject to the laws of Malaysia. The Electronic Prospectus will not be distributed outside Malaysia. Bursa Securities, the Company, the Promoter, the Selling Shareholders, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters and the Joint Underwriters named in the Electronic Prospectus have not authorised and take no responsibility for the distribution of the Electronic Prospectus outside Malaysia. No action has been taken to permit any offering of the IPO Shares based on the Electronic Prospectus in any jurisdiction other than Malaysia. The Electronic Prospectus may not be used for the purpose of and does not constitute an offer for the subscription or purchase of, or an invitation to subscribe for or purchase, the IPO Shares to any person outside Malaysia or in any jurisdiction or in any circumstance in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. Prospective applicants who may be in possession of the Electronic Prospectus are required to take note, to inform themselves, and to observe such restrictions.

This document is not an offer for sale of the IPO Shares in the United States or anywhere other than Malaysia. The IPO Shares may not be offered or sold in or into the United States unless under an exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act of 1933, as amended, and any applicable state securities laws. The Company does not intend to register any portion of the offering in the United States or to conduct a public offering of its securities in the United States or in any other jurisdiction where such an offering is restricted or prohibited.

Close of Application

Applications for the IPO Shares offered under the Retail Offering will open at 10.00 a.m. on 30 June 2021 and will close at 5.00 p.m. on 6 July 2021. Any change to the timetable will be advertised by CTOS Digital in widely circulated English and Bahasa Malaysia daily newspapers within Malaysia.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities, being the stock exchange the Company is seeking listing on. Users' access to the Website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained on the Website.

The contents of the Electronic Prospectus as provided by the Company to Bursa Securities, are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.

ctos Digital

www.ctosdigital.com

CTOS DIGITAL BERHAD

Unit 01-12, Level 8, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur
Tel: +603 2722 8800
E-mail: contactus@ctos.com.my

ctos Digital

CTOS DIGITAL BERHAD
(Company No.: 201401025733 (1101823-A))
(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016)

PROSPECTUS
THIS PROSPECTUS IS DATED 30 JUNE 2021

PROSPECTUS

THIS PROSPECTUS IS DATED 30 JUNE 2021

ctos

CTOS DIGITAL BERHAD
(Co. Reg. No.: 201401025733)(1101823-A)
(formerly known as CTOS Holdings Sdn Bhd)
(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016)

INITIAL PUBLIC OFFERING ("IPO") OF UP TO 1,100,000,000 ORDINARY SHARES IN CTOS DIGITAL BERHAD (FORMERLY KNOWN AS CTOS HOLDINGS SDN BHD) ("CTOS DIGITAL") ("IPO SHARES") IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED ISSUED SHARES IN CTOS DIGITAL ("SHARES") ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING AN OFFER FOR SALE OF UP TO 900,000,000 EXISTING SHARES ("OFFER SHARES") AND A PUBLIC ISSUE OF 200,000,000 NEW SHARES ("ISSUE SHARES") INVOLVING:

(I) INSTITUTIONAL OFFERING OF UP TO 936,000,000 IPO SHARES TO MALAYSIAN AND FOREIGN INSTITUTIONAL AND SELECTED INVESTORS AT THE INSTITUTIONAL PRICE TO BE DETERMINED BY WAY OF BOOKBUILDING ("INSTITUTIONAL PRICE"); AND

(II) RETAIL OFFERING OF 164,000,000 ISSUE SHARES TO THE DIRECTORS, EMPLOYEES (INCLUDING DIRECTORS OF THE SUBSIDIARIES OF CTOS DIGITAL) AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF CTOS DIGITAL AND ITS SUBSIDIARIES ("GROUP") AND THE MALAYSIAN PUBLIC AT THE RETAIL PRICE OF RM1.10 PER ISSUE SHARE ("RETAIL PRICE"), PAYABLE IN FULL UPON APPLICATION AND SUBJECT TO REFUND OF THE DIFFERENCE BETWEEN THE RETAIL PRICE AND THE FINAL RETAIL PRICE (AS DEFINED IN THIS PROSPECTUS) IN THE EVENT THAT THE FINAL RETAIL PRICE IS LESS THAN THE RETAIL PRICE,

SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS. THE FINAL RETAIL PRICE WILL BE EQUAL TO THE LOWER OF:

(A) THE RETAIL PRICE OF RM1.10 PER ISSUE SHARE; OR

(B) THE INSTITUTIONAL PRICE.

Joint Principal Advisers, Joint Global Coordinators, Joint Bookrunners, Joint Managing Underwriters and Joint Underwriters

Maybank Investment Bank

Maybank Investment Bank Berhad
(Co. Reg. No. 197301002412)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

RHB InvestmentBank

RHB Investment Bank Berhad
(Co. Reg. No. 197401002639)(19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Global Coordinator and Joint Bookrunner

CREDIT SUISSE

Credit Suisse Securities (Malaysia) Sdn Bhd
(Co. Reg. No. 199901024709)(499609-H)

Credit Suisse (Singapore) Limited
(Co. Reg. No.: 197702363D)

Joint Bookrunner, Joint Managing Underwriter and Joint Underwriter

AmInvestment Bank

AmInvestment Bank Berhad
(Co. Reg. No. 197501002220)(23742-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER SIX MONTHS FROM THE DATE OF THIS PROSPECTUS.

THE SECURITIES COMMISSION MALAYSIA ("SC") HAS APPROVED THE ISSUE, OFFER OR INVITATION FOR THE OFFERING UNDER SECTION 214(1) OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("APPROVAL").

THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC. THE APPROVAL AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED, OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 40.

LISTING SOUGHT: MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA

All defined terms used in this Prospectus are defined under "Presentation of Financial and Other Information", and "Definitions" commencing on pages ix and xiii of this Prospectus, respectively.

RESPONSIBILITY STATEMENTS

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

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

It is to be noted that the role of Credit Suisse in our IPO is limited to being the Joint Global Coordinator and the Joint Bookrunner for the Institutional Offering both within Malaysia and outside of Malaysia. Credit Suisse does not have any role in, and disclaims any responsibility for, the Retail Offering in Malaysia.

It is to be noted that the role of AmInvestment Bank in our IPO is limited to being the Joint Bookrunner for the Institutional Offering both within Malaysia and outside of Malaysia, and the Joint Managing Underwriter and the Joint Underwriter for the Retail Offering.

STATEMENTS OF DISCLAIMER

Our Company has obtained the approval of Bursa Securities for our Listing. Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

This Prospectus, together with the Application Forms, will be lodged with the Registrar of Companies, who takes no responsibility for its contents. In view of the closure of the Registrar of Companies' operation counters as a result of the MCO, the lodgement of the Prospectus will be made within two weeks after lodgement is able to be made with the Registrar of Companies.

OTHER STATEMENTS

Investors should note that they may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission, or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Our Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

Our Shares are classified as Shariah-compliant by the SAC. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the SAC. The new status is released in the updated list of Shariah-compliant securities, on the last Friday of May and November.

Investors should not take the agreement by the Joint Managing Underwriters and the Joint Underwriters named in this Prospectus to underwrite our Shares under the Retail Offering as an indication of the merits of our Shares being offered.

This Prospectus has been prepared in the context of an IPO under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

This Prospectus is published solely in connection with our IPO. Our Shares are being offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, our Promoter, the Selling Shareholders, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters and the Joint Underwriters have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, our Promoter, the Selling Shareholders, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters and the Joint Underwriters or any of their respective directors, or any other persons involved in our IPO.

The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. This Prospectus will not be distributed outside Malaysia except insofar as it is part of the offering memorandum distributed to foreign institutional investors outside Malaysia in connection with our IPO. Our Company, our Promoter, the Selling Shareholders, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters and the Joint Underwriters have not authorised and take no responsibility for the distribution of this Prospectus outside Malaysia except insofar as it is part of the offering memorandum distributed to foreign institutional investors outside Malaysia in connection with our IPO. No action has been taken to permit any offering of our Shares based on this Prospectus in any jurisdiction other than Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase of our Shares in any jurisdiction or in any circumstance in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the offering of our Shares in certain other jurisdictions may be restricted by law. Prospective investors who may be in possession of this Prospectus are required to inform themselves and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not be deemed to accept any liability whether or not any enquiry or investigation is made in connection to it.

It will be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted our IPO in Malaysia and will be subject to the laws of Malaysia in connection to it.

However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It will be your sole responsibility to consult your legal and/or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither we nor our Promoter, the Selling Shareholders, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters and the Joint Underwriters nor any other advisers in relation to our IPO will accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

Our Shares have not been and will not be registered under the U.S. Securities Act, and may not be offered, sold or delivered within the United States (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act. Accordingly, our Shares are being offered and sold only outside the United States in offshore transactions in reliance upon Regulation S under the U.S. Securities Act.

Our Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State Securities Commission in the U.S. or any other regulatory authority outside Malaysia, nor have any of the foregoing authorities passed upon or endorsed the merits of our IPO or confirmed the accuracy or adequacy of this Prospectus. Any representation to the contrary may be a criminal offence under applicable securities laws.

ELECTRONIC PROSPECTUS/INTERNET SHARE APPLICATION

This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

The internet is not a fully secure medium. Your Internet Share Application may be subject to risks of data transmission, computer security threats including viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions. If you doubt the validity or integrity of the Electronic Prospectus, you should immediately request from us or the Issuing House, a paper/printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the paper/printed copy of this Prospectus, the contents of the paper/printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC will prevail.

In relation to any reference in this Prospectus to third-party internet sites ("**Third-Party Internet Sites**"), whether by way of hyperlinks or by way of description of the Third-Party Internet Sites, you acknowledge and agree that:

(i) we do not endorse and are not affiliated in any way to the Third-Party Internet Sites. Accordingly, we are not responsible for the availability of or the content or any data, file or other material provided on the Third-Party Internet Sites. You bear all risks associated with the access to or use of the Third-Party Internet Sites;

(ii) we are not responsible for the quality of products or services in the Third-Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third-Party Internet Sites. We are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third-Party Internet Sites or the use of or reliance on any data, information, file or other material provided by such parties; and

(iii) any data, information, file or other material downloaded from the Third-Party Internet Sites is done at your own discretion and risk. We are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, file or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institution, you are advised that:

(a) the Internet Participating Financial Institution is only liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the contents of the Electronic Prospectus on the web server of the Internet Participating Financial Institution which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institution is not responsible for the integrity of the contents of the Electronic Prospectus which has been obtained from the web server of the Internet Participating Financial Institution and subsequently communicated or disseminated in any manner to you or other parties;

(b) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the internet is not a fully secure medium; and

(c) the Internet Participating Financial Institution is not liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institution, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative time and/or date:

Event	Time and/or Date
Opening of the Institutional Offering[(1)]	30 June 2021
Issuance of the Prospectus/Opening of the Retail Offering	10:00 a.m., 30 June 2021
Closing of the Retail Offering	5:00 p.m., 6 July 2021
Closing of the Institutional Offering	6 July 2021
Price Determination Date	7 July 2021
Balloting of applications for our Issue Shares under the Retail Offering	8 July 2021
Allotment/Transfer of our IPO Shares to successful applicants	16 July 2021
Listing	19 July 2021

Note:

(1) Other than the Institutional Offering to the Cornerstone Investors. The Master Cornerstone Placement Agreement for the acquisition of our IPO Shares by the Cornerstone Investors was entered into on 16 June 2021.

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

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to "our Company" or "CTOS Digital" are to CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd). All references to "CTOS Digital Group" or "our Group" are to our Company and our subsidiaries taken as a whole. All references to "we", "us", "our" and "ourselves" are to our Company and where the context otherwise requires, our Group. All references to "you" are to our prospective investors.

All references to the "Selling Shareholders" are to Inodes Limited, Chung Tze Keong, Chung Tze Wen and Ng Gaik Lin @ June Ng. All references to "our Promoter" are to Inodes Limited.

Any discrepancies in the tables between the amounts listed and the total amount in this Prospectus are due to rounding adjustments. Other abbreviations and acronyms used in this Prospectus are defined in the "Definitions" section and technical terms used in this Prospectus are defined in the "Glossary of Technical Terms" section. Words denoting the singular shall, where applicable, include the plural and *vice versa* and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and *vice versa*. References to persons shall, where applicable, include companies and corporations.

Any reference to provisions of the statutes, rules, regulations, enactments or rules of the stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of the stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of the stock exchange for the time being in force and unless otherwise specified, is a reference to an enactment by Malaysia.

Any reference to a date and time shall be a reference to a date and time in Malaysia, unless otherwise stated.

All references to the LPD in this Prospectus are to 31 May 2021, being the latest practicable date prior to the registration of this Prospectus with the SC.

The financial data of our Group as at (i) 31 December 2020 and for the FYE 31 December 2020; and (ii) 31 March 2021 and for the three-month FPE 31 March 2021, in this Prospectus includes the financial data of CIBI and CIBI Holdings since they were part of our Group at the relevant time.

The information on our website or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on those information for the purposes of your decision whether or not to invest in our Shares.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding the growth and performance of the industry in which we operate and our estimated market share. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us or is extracted from the IMR Report included in Section 8 of this Prospectus. We have appointed IDC Research to provide an independent market and industry review. In compiling its data for the review, IDC Research relied on its research methodology, industry sources, published materials, its private databanks and direct contacts within the industry.

Further, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We cannot give any assurance that the projected figures will be achieved and you should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

Comparability of Financial Information

Our Group has adopted MFRS 16 Leases for the first time in the FYE 31 December 2019 financial statements by applying the simplified retrospective transition method and has not restated the 31 December 2018 comparative financial information as permitted under the standard. As a result, our Group's consolidated statement of comprehensive income data and consolidated statement of financial position data for the FYE 31 December 2018 are not comparable with our Group's consolidated statement of comprehensive income data and consolidated statement of financial position data for the FYEs 31 December 2019 and 31 December 2020.

For the purpose of this Prospectus, EBITDA is calculated as our profit for the relevant financial year or period plus (i) tax expense; (ii) finance costs; and (iii) depreciation and amortisation, less (iv) interest income.

Normalised PATAMI for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 is calculated as profit for the financial year attributable to owners of our Company plus, where applicable (i) losses from CIBI and CIBI Holdings; (ii) costs related to our acquisitions of Experian, CIBI, Basis and BOL; (iii) share-based payment expense; and (iv) interest expense on bank borrowings, less (v) unrealised foreign exchange gains on RHB Term Loan 1.

Normalised PATAMI for the FPEs 31 March 2020 and 31 March 2021 is calculated as profit for the financial period attributable to owners of our Company plus, where applicable (i) losses from CIBI and CIBI Holdings; (ii) costs related to our acquisitions of CIBI (for the FPE 31 March 2020) and Basis (for the FPE 31 March 2021); (iii) share-based payment expense; (iv) interest expense on bank borrowings; (v) unrealised foreign exchange losses on RHB Term Loan 1; and (vi) incremental income tax expense of CTOS Data Systems recognised based on the estimated annual effective tax rate for the FYE 31 December 2021 of 15.2% as compared to the current tax payable by CTOS Data Systems in accordance with the tax exemption granted for the tax relief period under the pioneer status incentives applicable for the FPE 31 March 2021.

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

We believe that EBITDA and Normalised PATAMI may facilitate comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense and finance charges), tax positions (including the impact on periods or companies of changes in effective tax rates or net operating losses), the age and booked depreciation and amortisation of assets (affecting relative depreciation and amortisation expenses). EBITDA and Normalised PATAMI have been presented because we believe that it is frequently used by securities analysts, investors and other interested parties in evaluating similar companies, many of whom present such non-IFRS and non-MFRS financial measures when reporting their results. Finally, EBITDA and Normalised PATAMI are presented as supplemental measures of our ability to service debt. Nevertheless, EBITDA and Normalised PATAMI have limitations as an analytical tool, and prospective investors should not consider it in isolation from or as a substitute for analysis of our financial condition or results of operations, as reported under the IFRS and MFRS. Due to these limitations, EBITDA and Normalised PATAMI should not be considered as measure of discretionary cash available to invest in the growth of our business.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies and prospects are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements, or industry results expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current view with respect to future events and do not guarantee future performance. Forward-looking statements can be identified by the use of forward-looking terminologies including the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions, and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

(i) demand for our digital solutions and general industry environment;

(ii) our strategies and competitive position;

(iii) our future financial position, earnings, cash flows and liquidity;

(iv) potential growth opportunities; and

(v) regulatory environment and the effects of future regulation.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

(i) finance costs, interest rates, tax rates and foreign exchange rates;

(ii) future regulatory or government policy changes affecting us or the markets in which we operate or may operate;

(iii) delays, cost overruns, shortages in skilled resources or problems with the execution of our expansion plans;

(iv) competitive environment of the industry in which we operate;

(v) our relationship with our suppliers;

(vi) reliance on certificates, licences, permits and approvals;

(vii) general economic, business, social, political and investment environment in countries where we operate or may operate;

(viii) continued availability of capital and financing;

(ix) significant capital expenditure requirements;

(x) cost and availability of adequate insurance coverage;

(xi) fixed or contingent obligations and commitments;

(xii) changes in accounting standards and policies; and

(xiii) other factors beyond our control.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 5 of this Prospectus on "Risk Factors" and Section 12.2 of this Prospectus on "Management's Discussion and Analysis of Financial Condition and Results of Operations". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD.

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

Should we become aware of any subsequent material change or development affecting matters disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment/transfer of our IPO Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6 on Supplementary and Replacement Prospectus) of the Prospectus Guidelines.

DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

Act	:	Companies Act, 2016
ACRA	:	Accounting and Corporate Regulatory Authority of Singapore
ADA	:	Authorised Depository Agent
Admission	:	Admission of our Shares to the Official List of the Main Market of Bursa Securities
AGM	:	Annual general meeting
AmInvestment Bank	:	AmInvestment Bank Berhad
Application	:	Application of our Issue Shares by way of Application Form, Electronic Share Application, Internet Share Application or e-Subscription
Application Forms	:	Application form for the application of our Issue Shares under the Retail Offering accompanying this Prospectus
ASEAN	:	Association of Southeast Asian Nations
Auditors or Reporting Accountants	:	PricewaterhouseCoopers PLT
Authorised Financial Institution	:	Authorised financial institution participating in the Internet Share Application in respect of the payment for our Issue Shares
Blue Application Form	:	Application form for the application of our Issue Shares under the Retail Offering by persons who have contributed to the success of our Group accompanying this Prospectus
Blue Form Allocations	:	The allocation of 90,000,000 Issue Shares to persons who have contributed to the success of our Group under the Retail Offering
BNM	:	Bank Negara Malaysia
Board or Board of Directors	:	Board of Directors of our Company
Bumiputera	:	In the context of: (i) individuals - Malays and the aborigines and the natives of Sabah and Sarawak as specified in the Federal Constitution of Malaysia; (ii) companies - a company which fulfils, among others, the following criteria or such other criteria as may be imposed by the MITI: (a) registered under the Act as a private company; (b) its shareholders are 100.0% Bumiputera; and (c) its board of directors (including its staff) are at least 51.0% Bumiputera; and (iii) cooperatives - a cooperative whose shareholders or cooperative members are at least 95.0% Bumiputera or such other criteria as may be imposed by the MITI

Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
BVI	:	British Virgin Islands
CAGR	:	Compound annual growth rate, computed through the formula: CAGR = (Ending amount / Beginning amount)$^{1/N}$ – 1 Ending amount is the amount at the end of the period; Beginning amount is the amount at the beginning of the period; N is the number of years within the period
CBM	:	Credit Bureau Malaysia Sdn Bhd
CCC or CF	:	Certificate of completion and compliance or certificate of fitness for occupation or such certificate by any other name issued by the relevant authority under the SDBA and any by-laws made under it or such relevant legislation applicable at the material time
CCM	:	Companies Commission of Malaysia
CDS	:	Central Depository System
CIBI	:	CIBI Information Inc
CIBI Holdings	:	CIBI Holdings Pte Ltd (formerly known as CTOS SG Pte Ltd)
C-level Team	:	Our Company's Group Chief Executive Officer, Group Chief Financial Officer and any other personnel designated "Chief" in our Group's subsidiaries
CMSA	:	Capital Markets and Services Act, 2007
Competition Act	:	Competition Act, 2010
Constitution	:	Constitution of our Company
Cornerstone Investors	:	Collectively, Employees Provident Fund Board, Permodalan Nasional Berhad, Aberdeen Standard Investments (Asia) Limited, Aberdeen Standard Investments (Malaysia) Sdn Bhd, Aberdeen Standard Islamic Investments (Malaysia) Sdn Bhd, JP Morgan Asset Management (Singapore) Limited, FIL Investment Management (Hong Kong) Limited, Eastspring Investments Berhad, Affin Hwang Asset Management Berhad, AIA Bhd, AIA Pension and Asset Management Sdn Bhd, First Sentier Investors (Hong Kong) Limited as an investment manager of FSSA Singapore and Malaysia Growth Fund, First Sentier Investors (Hong Kong) Limited as an investment manager of Scottish Oriental Smaller Companies Fund, Hong Leong Asset Management Bhd, Hong Leong Assurance Berhad, Kenanga Investors Berhad, Matthews International Capital Management, LLC, Principal Asset Management Berhad, RWC Asset Management LLP, SeaTown Master Fund, Mawer Investment Management Ltd., Urusharta Jamaah Sdn Bhd, New Silk Road Investment Pte Ltd, RHB Asset Management Sdn Bhd, AmFunds Management Berhad, KAF Investment Funds Berhad and Maybank Asset Management Sdn Bhd
COVID-19	:	An infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
CRA	:	Credit reporting agency registered with the CRA Registrar

CRA Act	:	Credit Reporting Agencies Act, 2010
CRA Certificate	:	Certificate of registration issued by the CRA Registrar to carry on a credit reporting business pursuant to Section 14 of the CRA Act
CRA Registrar	:	Registrar of CRA appointed by the Minister of Finance pursuant to Section 3(2) of the CRA Act
Creador	:	Creador Sdn Bhd
Creador Group	:	A Malaysian mid-market private equity fund group, which includes Creador, Creador II and Creador II L.P.
Creador II	:	Creador II, LLC
Credisense	:	Credisense Limited
Credit Suisse	:	Collectively, Credit Suisse Securities (Malaysia) Sdn Bhd and Credit Suisse (Singapore) Limited
CRIF	:	CRIF OMESTI Sdn Bhd
CTOS-EMR	:	CTOS-EMR Sdn Bhd
CTOS Digital or Company	:	CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
D&B	:	Dun & Bradstreet (Malaysia) Sdn Bhd
Director(s)	:	Director(s) of our Company
Distribution	:	Distribution by way of dividend-in-specie of 4,900,001 ordinary shares in CIBI Holdings held by our Company, representing the entire equity interest in CIBI Holdings to our existing shareholders, which was completed on 15 June 2021
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation and for the purpose of this Prospectus, is calculated as our profit for the relevant financial year or period plus: (i) tax expense; (ii) finance costs; and (iii) depreciation and amortisation, less (iv) interest income
ECL	:	Expected credit loss
EIS	:	Employment Insurance System
Electronic Prospectus	:	Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium including, but not limited to compact disc read only memory (CD-ROMs)
Electronic Share Application	:	Application for our Issue Shares under the Retail Offering through a Participating Financial Institution's ATM
Eligible Persons	:	Collectively, our Directors, employees of our Group (including directors of our subsidiaries) and persons who have contributed to the success of our Group who are eligible to participate in the Retail Offering
EPS	:	Earnings per Share
Equity Guidelines	:	Equity Guidelines issued by the SC

e-Subscription	:	Electronic subscription via TIIH Online
ESOS	:	Employee share option scheme of CTOS Digital which was implemented on 1 January 2015
Expense Reimbursement Agreement	:	Expense reimbursement agreement dated 1 August 2014 entered into between CTOS Data Systems and Creador
Facilities Agreement 1	:	Facilities agreement dated 21 October 2020 entered into between CTOS Digital and RHB Bank in respect of RHB Term Loan 1 and RHB Term Loan 2, and the supplemental letter of offer dated 22 December 2020
Facility Agreement 2	:	Facility agreement dated 21 December 2020 entered into between CTOS Digital and RHB Bank in respect of RHB Term Loan 3, and the supplemental letter of offer dated 22 December 2020
Federal Territory(ies)	:	The territories of Kuala Lumpur, Putrajaya and Labuan governed directly by the Federal Government of Malaysia
FICO	:	Fair Isaac Corporation
Final Retail Price	:	Final price per Issue Share to be paid by the investors under the Retail Offering, equivalent to the Retail Price or the Institutional Price, whichever is lower, to be determined on the Price Determination Date
FIS	:	FIS Data Reference Sdn Bhd
FPE	:	Financial period ended or where the context otherwise requires, financial period ending
Funds	:	Collectively, Creador II, Creador II L.P., Siguler Guff BRIC, Siguler Guff FM and MIT Investments
FYE	:	Financial year ended or where the context otherwise requires, financial year ending
GBG	:	GB Group Plc
Government	:	Government of Malaysia
GP	:	Gross profit
Grandfathering and Transitional Guidelines	:	Guidelines on MSC Malaysia Financial Incentives (Grandfathering and Transition under Services Incentive) issued by MDEC, effective on 1 January 2019
Group	:	Collectively, our Company and our subsidiaries
ICT	:	Information and communications technology
ID	:	Identity document
IDC Research or IMR	:	IDC Market Research (Malaysia) Sdn Bhd, the independent market researcher
IFRS	:	International Financial Reporting Standards as issued by the International Accounting Standards Board

IMR Report	:	Independent market research report dated 15 June 2021 prepared by IDC Research
Initial Public Offering or IPO	:	Collectively, the Offer for Sale and our Public Issue
Inodes	:	Inodes Limited
Institutional Offering	:	Offering of up to 936,000,000 IPO Shares at the Institutional Price, subject to the clawback and reallocation provisions, to the following: (a) Malaysian institutional and selected investors; and (b) foreign institutional and selected investors outside the United States in reliance on Regulation S
Institutional Price	:	Price per IPO Share to be paid by investors under the Institutional Offering which will be determined on the Price Determination Date by way of bookbuilding
Internet Participating Financial Institution(s)	:	Participating financial institution(s) for the Internet Share Application
Internet Share Application	:	Application for our Issue Shares under the Retail Offering through an Internet Participating Financial Institution
IPO Shares	:	Collectively, the Offer Shares and our Issue Shares
IS	:	Information system
Issue Shares	:	New Shares to be issued by our Company under our Public Issue
Issuing House	:	Tricor Investor & Issuing House Services Sdn Bhd
IT	:	Information technology
Joint Bookrunners	:	Collectively, AmInvestment Bank, Credit Suisse, Maybank IB and RHB IB
Joint Global Coordinators	:	Collectively, Credit Suisse, Maybank IB and RHB IB
Joint Managing Underwriters	:	Collectively, AmInvestment Bank, Maybank IB and RHB IB
Joint Principal Advisers	:	Collectively, Maybank IB and RHB IB
Joint Underwriters	:	Collectively, AmInvestment Bank, Maybank IB and RHB IB

Knowledge Worker(s)	:	Individual who holds one or more of the following criteria: (a) tertiary qualification from an institution of higher learning (in any field); or (b) diploma in multimedia / ICT or another specialised ICT certification plus at least two years' relevant experience in multimedia/ICT or an equivalent field; or (c) has held a professional, executive, management or technical work position in IT enabled services (for example IT / IS professionals, finance / accounting, business administration) Special exemptions are given to foreign knowledge workers who do not meet the above criteria but are to be employed in the following: (a) global business services - foreign workers with knowledge-based skills that are not prevalent in Malaysia, but required by MSC Malaysia Status companies; or (b) creative content and technologies - workers who are utilised for their creative talent to produce value-added creative work for MSC Malaysia Status companies
Listing	:	Listing of and quotation for the entire enlarged Shares on the Main Market of Bursa Securities
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	31 May 2021, being the latest practicable date prior to the registration of this Prospectus with the SC
Malaysian Public	:	Malaysian citizens, companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
Market Day	:	A day on which Bursa Securities is open for trading in securities
Master Cornerstone Placement Agreement	:	Master cornerstone placement agreement dated 16 June 2021 entered into between our Company, the Selling Shareholders, the Joint Global Coordinators, the Joint Bookrunners and the Cornerstone Investors as detailed in Section 14.6.8 of this Prospectus
Maybank IB	:	Maybank Investment Bank Berhad
MBA	:	Master of Business Administration
MCCG	:	Malaysian Code on Corporate Governance which came into effect on 26 April 2017
MCO	:	Movement control order issued under the Prevention and Control of Infectious Disease Act, 1988 and the Police Act, 1967 which was in effect for the whole of Malaysia from 18 March 2020 to 3 May 2020, reimposed in all of the federal territories, certain states and districts commencing from 13 January 2021 until 4 March 2021, reimposed in certain districts commencing from 16 April 2021 to 30 April 2021, and subsequently reimposed for the whole of Malaysia commencing from 12 May 2021 until 28 June 2021
MDEC	:	Malaysia Digital Economy Corporation Sdn Bhd
MDI	:	Malaysian Department of Insolvency

MFRS	:	Malaysian Financial Reporting Standards
MFRS 16	:	MFRS 16: Leases
MIA	:	Malaysian Institute of Accountants
MIT	:	Massachusetts Institute of Technology
MIT Investments	:	MIT Investments 2010, L.P.
MITI	:	Ministry of International Trade and Industry
MOF	:	Ministry of Finance
MSC Malaysia Qualifying Activities or Pioneer Activities	:	(a) Research, development and commercialisation of the following solutions: (i) comprehensive credit reporting bureau; (ii) consumer and business credit portals; (iii) financial surveillance and compliance; and (iv) credit management suite 2.0 above; (b) Establish and operate a global business service centre rendering in knowledge process outsourcing – business and marketing research and analytics; and (c) Provision of implementation, maintenance and technical services related to the above-mentioned solutions and services
MSC Malaysia Status	:	A recognition by the Government through MDEC, for ICT and ICT-facilitated businesses that develop or use multimedia technologies to produce and enhance their products and services
MSC Pioneer Certificate	:	Certificate issued by the MITI in pursuance of the PIA 1986 certifying a qualified company with pioneer status to carry out MSC Malaysia Qualifying Activities or Pioneer Activities
N/A	:	Not applicable
NA	:	Net assets
NBV	:	Net book value

Normalised PATAMI	:	Normalised PATAMI for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 is calculated as profit for the financial year attributable to owners of our Company plus, where applicable (i) losses from CIBI and CIBI Holdings; (ii) costs related to our acquisitions of Experian, CIBI, Basis and BOL; (iii) share-based payment expense; and (iv) interest expense on bank borrowings, less (v) unrealised foreign exchange gains on RHB Term Loan 1 Normalised PATAMI for the FPEs 31 March 2020 and 31 March 2021 is calculated as profit for the financial period attributable to owners of our Company plus, where applicable (i) losses from CIBI and CIBI Holdings; (ii) costs related to our acquisitions of CIBI (for the FPE 31 March 2020) and Basis (for the FPE 31 March 2021); (iii) share-based payment expense; (iv) interest expense on bank borrowings; (v) unrealised foreign exchange losses on RHB Term Loan 1; and (vi) incremental income tax expense of CTOS Data Systems recognised based on the estimated annual effective tax rate for the FYE 31 December 2021 of 15.2% as compared to the current tax payable by CTOS Data Systems in accordance with the tax exemption granted for the tax relief period under the pioneer status incentives applicable for the FPE 31 March 2021
Offer for Sale	:	Offer for sale of up to 900,000,000 Offer Shares by the Selling Shareholders
Offer Shares	:	Existing Shares to be offered by the Selling Shareholders pursuant to the Offer for Sale
Official List	:	A list specifying all securities listed on Bursa Securities
Participating Financial Institution(s)	:	Participating financial institution(s) for the Electronic Share Application
Participation Agreement	:	CCRIS and DCHEQS Participation Agreement dated 30 June 2015 entered into between BNM and CTOS Data Systems
PATAMI	:	Profit after tax and non-controlling interests, which is our profit for the financial year or period attributable to owners of our Company
PBR	:	Price-to-book ratio
PBT	:	Profit before taxation
PDPA	:	Personal Data Protection Act, 2010
PDP Commissioner	:	Personal Data Protection Commissioner of Malaysia
PER	:	Price-to-earnings ratio
Personal Data Protection Principles	:	Principles to be complied by data users processing personal data, pursuant to Sections 5, 6, 7, 8, 9, 10, 11 and 12 of the PDPA
PIA 1986	:	Promotion of Investments Act, 1986
Pink Application Form	:	Application form for the application of our Issue Shares under the Retail Offering by our Directors and eligible employees of our Group (including directors of our subsidiaries) accompanying this Prospectus
Pink Form Allocations	:	The allocation of 30,000,000 Issue Shares to our Directors and eligible employees of our Group (including directors of our subsidiaries) under the Retail Offering

Placement Agreement	:	The placement agreement to be entered into by our Company, the Selling Shareholders, the Joint Global Coordinators and the Joint Bookrunners in respect of such number of IPO Shares to be offered under the Institutional Offering
Placement Managers	:	Collectively, Credit Suisse, Maybank IB and RHB IB
Pre-IPO Exercise	:	Collectively, the Distribution and the Subdivision
Price Determination Date	:	The date on which the Institutional Price and Final Retail Price will be determined
Promoter	:	Inodes, being our promoter based on Section 226 of the CMSA
Prospectus	:	This Prospectus dated 30 June 2021 issued by our Company
Prospectus Guidelines	:	Prospectus Guidelines issued by the SC
Public Issue	:	Public issue of 200,000,000 Issue Shares by our Company
Record of Depositors	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
Regulation S	:	Regulation S under the U.S. Securities Act
Renewed Term	:	An extended relief period of 5 years from 9 November 2021 to 8 November 2026 in respect of CTOS Data Systems' MSC Pioneer Certificate
Retail Offering	:	Offering of 164,000,000 Issue Shares at the Retail Price, subject to the clawback and reallocation provisions, to be allocated in the following manner: (a) 120,000,000 Issue Shares reserved for application by the Eligible Persons; and (b) 44,000,000 Issue Shares for application by the Malaysian Public, via balloting
Retail Price	:	Initial price of RM1.10 per Issue Share to be fully paid upon application under the Retail Offering, subject to adjustment as detailed in Section 4.4.1 of this Prospectus
Retail Underwriting Agreement	:	Retail underwriting agreement dated 16 June 2021 entered into between our Company, the Joint Managing Underwriters and the Joint Underwriters for the underwriting of our Issue Shares under the Retail Offering
RHB Bank	:	RHB Bank Berhad
RHB IB	:	RHB Investment Bank Berhad
RHB Term Loan 1	:	The term facility of approximately USD22.1 million granted by RHB Bank to CTOS Digital pursuant to the Facilities Agreement 1 for the acquisition of BOL
RHB Term Loan 2	:	The term facility of approximately RM45.6 million granted by RHB Bank to CTOS Digital pursuant to the Facilities Agreement 1 for the purpose of refinancing the term loan facility granted by Standard Chartered Bank Malaysia Berhad and OCBC Bank (Malaysia) Berhad to CTOS Data Systems by way of a one-off third party utilisation by CTOS Data Systems

RHB Term Loan 3	:	The term facility of RM32.0 million granted by RHB Bank to CTOS Digital pursuant to the Facility Agreement 2 for the acquisition of Basis
RMiT	:	Risk Management in Technology
RMiT Guidelines	:	Guidelines on RMiT issued by BNM
ROE	:	Return on equity
Rules of Bursa Depository	:	The rules of Bursa Depository as issued under the SICDA
SAC	:	Shariah Advisory Council of the SC
SC	:	Securities Commission Malaysia
SDBA	:	Street, Drainage and Building Act, 1974
Selling Shareholders	:	Collectively, Inodes, Chung Tze Keong, Chung Tze Wen and Ng Gaik Lin @ June Ng
Shares	:	Ordinary shares in the share capital of our Company
Share Registrar	:	Tricor Investor & Issuing House Services Sdn Bhd
SICDA	:	Securities Industry (Central Depositories) Act, 1991
Siguler Guff BRIC	:	Siguler Guff BRIC Opportunities Fund III, LP
Siguler Guff FM	:	Siguler Guff FM Opportunities Fund, LP
SME	:	Small and medium enterprises including: (a) a manufacturing company with annual sales turnover of less than RM50.0 million or less than 200 full time employees; or (b) a company in the services and other sectors with annual sales turnover of less than RM20.0 million or less than 75 full time employees
SOCSO	:	Social Security Organisation
sq. ft.	:	Square feet
sq. km.	:	Square kilometre
SST	:	Sales and services tax
Subdivision	:	Subdivision of one existing Share to 20 Shares
Thai DBD	:	Thailand Department of Business Development, Ministry of Commerce
Thailand	:	Kingdom of Thailand
Thai LED	:	Thailand Legal Execution Department, Ministry of Justice
Thai PDPA	:	Thailand Personal Data Protection Act B.E. 2562
Thai TCA	:	Thailand Trade Competition Act B.E. 2560

The Philippines	:	Republic of the Philippines
TIIH Online	:	The Issuing House's proprietary-owned application to facilitate the persons who have contributed to the success of our Group in applying for our Issue Shares electronically under the Retail Offering
Transitional Period	:	The period from the subsequent date after the expiry of the grandfathering timeline (pursuant to the Grandfathering and Transitional Guidelines) until the expiry of the first 5 years of CTOS Data Systems' MSC Pioneer Certificate, i.e. 1 July 2021 until 8 November 2021
U.S. or United States	:	United States of America, its territories and possessions, any state of the United States and the District of Columbia
U.S. Securities Act	:	United States Securities Act of 1933, as amended
White Application Form	:	Application form for the application of our Issue Shares under the Retail Offering by the Malaysian Public

Subsidiaries

Automated Mail Responder	:	Automated Mail Responder Sdn Bhd
Basis	:	CTOS Basis Sdn Bhd (formerly known as Basis Corporation Sdn Bhd)
CTOS Business	:	CTOS Business Systems Sdn Bhd
CTOS Data Systems	:	CTOS Data Systems Sdn Bhd
CTOS Insights	:	CTOS Insights Sdn Bhd
Enfo	:	Enfo Sdn Bhd
Intellidata Solutions	:	Intellidata Solutions Sdn Bhd

Associates

BOL	:	Business Online Public Company Limited
Experian	:	Experian Information Services (Malaysia) Sdn Bhd

Currencies

PHP	:	Philippine Peso
RM and sen	:	Ringgit Malaysia and sen
SGD	:	Singapore Dollar
THB	:	Thai Baht
USD	:	United States Dollar

GLOSSARY OF TECHNICAL TERMS

Basis Business Report	:	Contains detailed information about the business entity including its history, directors, corporate registry information, banking relationships and encumbrances as well as potential legal suits related to the business entity, and forms part of the Basis Overseas Report and Basis Credit Report or can be purchased separately
Basis Credit Report	:	Contains Basis Overseas Report information on Malaysian companies
Basis Overseas Report	:	Contains information such as registration information, date of incorporation, legal status, capital structure, encumbrances and legal actions, as well as more extensive information on payment records, clientele, operations, recent developments, industry outlook, Basis' comments and Basis' credit risk evaluation on companies outside of Malaysia
Basis Trade Report	:	Contains Basis Business Report information and the latest three years' financial statements, comparative financial analysis and financial comments on Malaysian companies
Business Listings	:	Basis' directory of Malaysian businesses containing basic information such as business description, contact details and hours of operation for prospecting purposes
CAD	:	CTOS Application and Decisioning, an automated digital solution that enables users to make credit decisions instantly based on CRA information and the business or credit policies of the customer
CCRIS	:	Central Credit Reference Information System, a computerised database maintained by BNM Credit Bureau to provide standardised credit reports on a potential borrower
CED	:	CTOS Enhanced Database, contains litigation and bankruptcy proceedings information shared by CTOS Data Systems subscribers such as banks, non-bank lenders, telecommunication companies and law firms
Commercial	:	A customer type comprising all of our Malaysian commercial customers other than our Key Accounts customers including the SMEs
Company Search	:	A Malaysian company directory search service offered through CTOS Basis
Comprehensive Portfolio Review	:	A comprehensive review of customer's portfolios of end-customer data to provide CTOS Data Systems' customers with more information about their own customer bases
CREST	:	Council of Registered Ethical Security Testers
CTOS Basis	:	Provides access to International Reports, litigation check, credit monitoring services and Company Search
CTOS Basis Reports	:	Comprises all reports offered by Basis, namely, the Basis Business Report, Basis Credit Report, Basis Trade Report and International Reports
CTOS BizFinder	:	Digital SME directory with business descriptions and contact information
CTOS Consumer Score	:	A credit rating standard applicable to individuals i.e. a three-digit number ranging from 300 (poor) to 850 (excellent) that features in CTOS Score Reports and MyCTOS Score Reports as well as subscription to CTOS SecureID

CTOS CreditFinder	:	Loan matching and referral platform for the listings of financial products targeted at consumers which are offered based on CTOS Consumer Score
CTOS Credit Manager	:	CTOS Data Systems' subscription-based online credit risk management platform for customers to search, store, monitor and manage their own customers' and/or related business parties' credit and other information
CTOS Data Systems Reports	:	Comprises all reports offered by CTOS Data Systems, namely, the CTOS Report, CTOS LitE Report, CTOS Score Report, CTOS SME Report, MyCTOS Basic Report, MyCTOS Score Report and reports with CCRIS
CTOS eKYC	:	CTOS Electronic Know-Your-Customer, a digital identity verification solution with a four-layer authentication process
CTOS ID	:	An account registered with CTOS Data Systems which allows consumers to access their CTOS Scores and credit information
CTOS IDGuard	:	CTOS Data Systems' credit application fraud prevention solution with the ability to detect ID theft and impersonation, false and synthetic identities, data or documentation manipulation, organised fraud rings and syndicates
CTOS LitE Report	:	CTOS Report excluding banking payment history, dishonoured cheques, CCRIS supplementary information, litigation, bankruptcy and eTR information
CTOS Mobile Application	:	A mobile channel for consumers to purchase and access MyCTOS Score Reports, and for subscribers to access CTOS SecureID
CTOS Portfolio Analytics and Insights	:	CTOS Data Systems' customised analytics and insights to customers based on a combination of a customer's portfolio data and CTOS Data Systems' own comprehensive databases
CTOS Report	:	A report containing basic identification, financial, litigation and trade reference information about a business or individual but does not include CTOS Scores
CTOS Score	:	CTOS Scores are three-digit numbers that represent CTOS Data Systems' assessment of the credit health of a consumer or business. Comprises the CTOS Consumer Score and CTOS SME Score
CTOS Score Report	:	Comprises the CTOS Report and a CTOS Consumer Score that is usually purchased via CTOS Credit Manager
CTOS SecureID	:	CTOS Data Systems' subscription-based service for fraud protection and credit monitoring which give subscribers alerts on any missed payments, changes in credit history, litigation status, bankruptcy and eTR records
CTOS SME Report	:	Comprises the CTOS Report and CTOS SME Score
CTOS SME Score	:	A credit rating standard applicable to SMEs i.e. a three-digit number ranging from 100 (poor) to 400 (excellent) that features in CTOS SME Reports
CTOS Tenant Screening Report	:	Comprises identification verification, Know-Your-Customer screening, financial checks, income estimation and historical legal cases or bankruptcies, which allows landlords or agents to screen prospective tenants

Customised Bulk Data Sales	: This refers to the sale of bulk data sets to a customer. The customer is able to specify the particular subset of information from Basis' database that it wishes to purchase in bulk, including information from Business Listings
Dark Web	: Intentionally hidden internet content that is not indexed by conventional search engines and requires specific web browsers in order to be accessed. Some dark web listings contain illicit information, including stolen credit card details or other sensitive personal data
DCHEQS	: Dishonoured Cheque Information System, a computerised database system developed and maintained by BNM to collect, process, store and generate information related to dishonoured cheques
Direct-to-Consumer	: A customer type comprising all of our retail consumers
DWDM	: Dense wavelength division multiplexing fibres, a fibre-optic transmission technique. It involves the process of multiplexing many different wavelength signals onto a single fiber. Each fiber has a set of parallel optical channels and each one uses slightly different light wavelengths. The fibres employ light wavelengths to transmit data parallel-by-bit or serial-by-character. DWDM is a very crucial component of optical networks that will allow the transmission of data: voice, video-IP, asynchronous transfer mode (ATM), and synchronous optical networking (SONET)/ synchronous digital hierarchy (SDH) respectively, over the optical layer
E-Court Search Report	: Contains information on legal proceedings in Malaysia from public court listings and legal notices
eTR	: CTOS Electronic Trade Reference, non-bank trade references voluntarily submitted by CTOS Data Systems' subscribers
eTR Plus	: CTOS Electronic Trade Reference Plus, non-bank trade references of positive information about a customer's payment history voluntarily submitted by CTOS Data Systems' subscribers
External Reports	: Comprises the ROC Report, ROB Report, LLP Report, Idaman Report, MDI Report, E-Court Search Report and Land Title Report
Idaman Report	: A detailed company information and financial report from CCM, including corporate documents, annual return and company charges
International B2B	: A customer type comprising CIBI's international business-to-business services customers
International Reports	: Comprises the Basis Overseas Report and Singapore Comprehensive Report
Key Accounts	: A customer type comprising all of our highest revenue-generating customers as well as other selected customers, such as those with complex requirements
KYC	: Know-Your-Customer
Land Title Report	: Contains official property ownership information from land offices in Malaysia
LLP Report	: Limited liability partnership report
MDI Report	: Contains bankruptcy and insolvency information of individuals and businesses

MyCTOS Basic Report	:	A free consumer credit report available with basic consumer identification, as well as directorship and business interest information, excluding the CTOS Consumer Score
MyCTOS Score Report	:	Comprises the CTOS Report and CTOS Consumer Score that is usually purchased via CTOS Data Systems' website
OCR	:	Optical character recognition or optical character reader is the electronic or mechanical conversion of images of typed, handwritten or printed text into machine-encoded text, whether from a scanned document, a photo of a document, a scene-photo (for example the text on signs and billboards in a landscape photo) or from subtitle text superimposed on an image
P2P	:	Peer-to-peer
ROB Report	:	Registered business report
ROC Report	:	Registered company report
Singapore Comprehensive Report	:	Contains ACRA registry related information, company financials, comparative ratios and industry outlook on Singaporean companies
SaaS	:	Software-as-a-service is a software distribution model in which a third-party provider hosts applications and makes them available to customers over the Internet
Trade Reference	:	Non-banking information related to trades used as a means to verify the creditworthiness of a customer to a third party considering the extension of credit

1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Designation	Nationality	Address
Tan Sri Izzuddin Bin Dali	Independent Non-Executive Chairman	Malaysian	60, Jalan Sepah Puteri 5/2, Kota Damansara, 47810 Petaling Jaya, Selangor
Dato' Noorazman Bin Abd Aziz	Independent Non-Executive Director	Malaysian	No. 21, Jalan Changkat Datuk Sulaiman, TTDI Hills, Taman Tun Dr. Ismail, 60000 Kuala Lumpur
Datuk Azizan Bin Haji Abd Rahman	Independent Non-Executive Director	Malaysian	40, Jalan USJ 5/1L, UEP, 47610 Subang Jaya, Selangor
Dennis Colin Martin	Non-Independent Executive Director / Group Chief Executive Officer	New Zealander	A-53-1, Residensi Vogue 1, Jalan Bangsar, 59200 Kuala Lumpur
Loh Kok Leong	Non-Independent Non-Executive Director	Malaysian	87, Jalan Surian Wangi, Sierramas West, 47000 Sungai Buloh, Selangor
Lynette Yeow Su-Yin	Independent Non-Executive Director	Malaysian	7, Lorong 14/30A, 46100 Petaling Jaya, Selangor
Nirmala A/P Doraisamy	Independent Non-Executive Director	Malaysian	7, Jalan BRP 2/2B, Putra Hills, Bukit Rahman Putra, 47000 Sungai Buloh, Selangor
Su Puay Leng	Independent Non-Executive Director	Malaysian	A-01-01, Five Stones Condominium, Jalan SS2/72, 47300 Petaling Jaya, Selangor
Wong Pau Min	Alternate Director to Loh Kok Leong	Malaysian	D-08-1, Five Stones Condominium, Jalan SS2/72, 47300 Petaling Jaya, Selangor

1. CORPORATE DIRECTORY *(Cont'd)*

AUDIT AND RISK COMMITTEE

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

NOMINATION AND REMUNERATION COMMITTEE

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

1. CORPORATE DIRECTORY *(Cont'd)*

COMPANY SECRETARIES	:	**Joanne Toh Joo Ann** 19, Jalan Pandan Indah 5/5, Pandan Indah, 55100 Kuala Lumpur	Professional qualification: Licensed Secretary (LS) (Licence No.: LS 0008574) (SSM PC No.: 202008001119)
		Sia Ee Chin No. 1 Jalan Tropicana Cheras 8, Taman Tropicana Cheras, 43000 Kajang, Selangor	Malaysian Institute of Chartered Secretaries and Administrators (MAICSA No.: MAICSA 7062413) (SSM PC No.: 202008001676)
REGISTERED OFFICE	:	Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur Tel. No.: +603 2783 9191	
HEAD/MANAGEMENT OFFICE	:	Unit 01-12, Level 8, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur Tel. No.: +603 2722 8800 Website: https://ctosdigital.com E-mail: contactus@ctos.com.my	
SELLING SHAREHOLDERS	:	**Inodes Limited** Tortola Pier Park, Building 1, Second Floor, Wickhams Cay I, Road Town, Tortola, British Virgin Islands	
		Chung Tze Keong 33 Lorong Tanjong 5/4E, 46000 Petaling Jaya, Selangor	
		Chung Tze Wen 36 Jalan Bukit Seputeh 1, Seputeh Heights, 58100 Kuala Lumpur	
		Ng Gaik Lin @ June Ng 4838, Jalan 5/1A, Kemensah Heights, 68000 Ampang, Selangor	
AUDITORS AND REPORTING ACCOUNTANTS	:	**PricewaterhouseCoopers PLT** Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, 50470 Kuala Lumpur Tel. No.: +603 2173 1188 Partner-in-charge: Pauline Ho Professional qualification: Member of MIA (MIA membership No.: CA11007)	

1. CORPORATE DIRECTORY *(Cont'd)*

JOINT PRINCIPAL ADVISERS *(in alphabetical order)*	**Maybank Investment Bank Berhad** 32nd Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur Tel. No.: +603 2059 1888	**RHB Investment Bank Berhad** Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur Tel. No.: +603 9287 3888
JOINT MANAGING UNDERWRITERS AND JOINT UNDERWRITERS *(in alphabetical order)*	**AmInvestment Bank Berhad** 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur Tel. No.: +603 2036 2633	**Maybank Investment Bank Berhad** 32nd Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur Tel. No.: +603 2059 1888
	RHB Investment Bank Berhad Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur Tel. No.: +603 9287 3888	
JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS *(in alphabetical order)*	**Credit Suisse Securities (Malaysia) Sdn Bhd** Suite 7.6, Level 7, Menara IMC, 8 Jalan Sultan Ismail, 50250 Kuala Lumpur Tel. No.: +603 2723 2020	**Credit Suisse (Singapore) Limited** 1 Raffles Link, #03/#04-01 South Lobby, Singapore 039393 Tel. No.: +65 6212 2000
	Maybank Investment Bank Berhad 32nd Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur Tel. No.: +603 2059 1888	**RHB Investment Bank Berhad** Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur Tel. No.: +603 9287 3888
JOINT BOOKRUNNER	**AmInvestment Bank Berhad** 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur Tel. No.: +603 2036 2633	
LEGAL ADVISERS	*To our Company as to Malaysian law*	*To our Company as to United States federal securities law and English law*
	Adnan Sundra & Low Level 25, Menara Etiqa, No. 3, Jalan Bangsar Utama 1, 59000 Kuala Lumpur Tel. No.: +603 2279 3288	**Latham & Watkins LLP** 9 Raffles Place, #42-02 Republic Plaza, Singapore 048619 Tel. No.: +65 6536 1161

		To the Joint Global Coordinators, Joint Bookrunners, Joint Managing Underwriters and Joint Underwriters as to Malaysian law	*To the Joint Global Coordinators and Joint Bookrunners as to United States federal securities law and English law*
		Chooi & Company + Cheang & Ariff CCA @ BANGSAR Level 5, Menara BRDB, 285, Jalan Maarof, Bukit Bandaraya, 59000 Kuala Lumpur Tel. No.: +603 2055 3888	**Allen & Overy LLP** 50 Collyer Quay, #09-01 OUE Bayfront, Singapore 049321 Tel. No.: +65 6671 6000
INDEPENDENT MARKET RESEARCHER	:	**IDC Market Research (Malaysia) Sdn Bhd** The Pinnacle Suite 7-03, Level 7, Persiaran Lagoon, Bandar Sunway, 47500 Subang Jaya, Selangor, Malaysia Tel. No.: +603 7663 2288 Name of signing partner: Sudev Bangah *(See Section 8 of this Prospectus for the profile of the firm and signing partner)*	
SHARE REGISTRAR AND ISSUING HOUSE	:	**Tricor Investor & Issuing House Services Sdn Bhd** Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur Tel. No.: +603 2783 9299	
LISTING SOUGHT	:	Main Market of Bursa Securities	
SHARIAH STATUS	:	Approved by the SAC	

2. INTRODUCTION

2.1 APPROVALS AND CONDITIONS

The SC has, via its letter dated 10 June 2021, approved our IPO and our Listing under Section 214(1) of the CMSA, subject to compliance with the following condition:

No.	Details of condition imposed	Status of compliance
(i)	Maybank IB, RHB IB and CTOS Digital to fully comply with the requirements of the Equity Guidelines and Prospectus Guidelines pertaining to the implementation of our Listing.	To be complied

The SC has also via the same letter taken note of the resultant equity structure of our Company pursuant to our Listing under the equity requirement for public listed companies ("**Equity Requirement**"). CTOS Data Systems, a wholly-owned subsidiary of our Company, is a company with the MSC Malaysia Status and a major contributor to our Group's PATAMI for the FYEs 31 December 2018 to 2020. Accordingly, our Company is exempted from the Equity Requirement.

The SC has, via its letter dated 10 June 2021, approved the reliefs sought by us from having to comply with certain requirements under the Equity Guidelines and the Prospectus Guidelines. The details of the reliefs sought are as follows:

Reference	Details of relief granted	Condition imposed (if any)
Equity Guidelines		
Paragraph 5.30, Part II	Relief for all direct and indirect shareholders of Creador II from the requirement to provide a moratorium undertaking, and to allow only Creador II to provide the moratorium undertaking.	-
Paragraph 1(f)(i) of Part IV – Appendix 1, Content of Application for Equity Offerings and Listings	Relief from having to submit to the SC, the ultimate beneficial ownership of our Shares held by Inodes. Only the direct shareholders of Inodes, namely the Funds, will be provided.	-
Paragraphs 1(f)(i), (ii) and (iv) of Part IV – Appendix 1, Content of Application for Equity Offerings and Listings	Relief from having to submit to the SC the following in respect of the substantial shareholders of our associated companies, namely Experian and BOL: (i) the ultimate beneficial ownership of shares held under nominees/ corporations (other than those held by our Company); (ii) any changes in substantial shareholders and their shareholdings (other than our Company) over the past three years; and (iii) for corporations, their registration numbers, country of incorporation and current addresses.	-
Paragraphs 2(a) and (b) of Appendix 4, Part IV	Relief from having to comply with the requirement in respect of placement of our IPO Shares to be offered under the Institutional Offering to parties who are connected to the Joint Bookrunners.	-

Reference	Details of relief granted	Condition imposed (if any)
Prospectus Guidelines		
Paragraph 4.01(d) of Chapter 4, Division 1 - Part II	Relief from having to disclose the ultimate beneficial ownership of the shareholders of Inodes in the Prospectus. The disclosure shall only be up to the Funds.	-
Paragraph 5.04(b) of Chapter 5, Division 1 - Part II and Paragraph 13.01(b)(i) of Chapter 13, Division 1 - Part II	Relief from having to disclose the name of one of the parties to the share purchase agreement dated 10 July 2019 in respect of the acquisition by our Company of the entire issued share capital of Enfo ("**SPA**") in the Prospectus and to allow the name and personal information of the aforementioned person in the SPA to be made available for public inspection to be redacted.	-

Bursa Securities has, via its letter dated 15 June 2021, approved our Admission and our Listing subject to compliance with the following conditions:

No.	Details of condition imposed	Status of compliance
(i)	CTOS Digital and the Joint Principal Advisers to make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Practice Note 21 of the Listing Requirements; and	To be complied
(ii)	CTOS Digital and the Joint Principal Advisers to furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the public spread requirements based on our entire issued share capital on the first day of listing.	To be complied

The SAC has, via its letter dated 27 May 2021, classified our Shares as Shariah-compliant securities based on our latest audited financial information for the FYE 31 December 2020 and the Pro Forma Consolidated Statements of Financial Position as at 31 December 2020.

The MITI has, via its letter dated 3 June 2021, stated that it has taken note of our Listing and that we are exempted from having to comply with the Equity Requirement.

2.2 MORATORIUM ON OUR SHARES

Pursuant to Paragraphs 5.29(a) and 5.30, Part II of the Equity Guidelines, our 880,000,000 Shares representing 40.0% of our enlarged issued share capital directly held by our Promoter at the date of our Listing are subject to moratorium for a period of six months from the date of our Listing.

Inodes has fully accepted the moratorium. It is not allowed to sell, transfer or assign any of its holding in our Shares as at the date of our Listing for a period of six months from the date of our Listing.

The above moratorium restrictions are specifically endorsed on the share certificate representing our Shares held by Inodes which are under moratorium to ensure that our Share Registrar does not register any transfer that contravenes such restrictions.

In addition, the Funds are not allowed to sell, transfer or assign any part of their securities in respect of Inodes for a period of six months from the date of our Listing.

3. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

3.1 PRINCIPAL DETAILS OF OUR IPO

Our IPO consists of the Institutional Offering and the Retail Offering, totalling up to 1,100,000,000 IPO Shares, representing up to 50.00% of our enlarged issued share capital.

3.1.1 Institutional Offering

The Institutional Offering involves the offering of up to 936,000,000 IPO Shares (comprising up to 900,000,000 Offer Shares and 36,000,000 Issue Shares), representing approximately up to 42.55% of our enlarged issued share capital, subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus, at the Institutional Price to Malaysian institutional and selected investors, and foreign institutional and selected investors outside the United States in reliance on Regulation S.

3.1.2 Retail Offering

The Retail Offering involves the offering of 164,000,000 Issue Shares, representing approximately 7.45% of our enlarged issued share capital, subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus, at the Retail Price to be allocated in the following manner:

(i) 120,000,000 Issue Shares, representing approximately 5.45% of our enlarged issued share capital, are reserved for application by the Eligible Persons.

(ii) 44,000,000 Issue Shares, representing 2.00% of our enlarged issued share capital, are reserved for application by the Malaysian Public of which 22,000,000 Issue Shares have been set aside for application by Bumiputera citizens, companies, co-operatives, societies and institutions.

3.1.3 Moratorium on our Shares

In accordance with the Equity Guidelines, Inodes is not allowed to sell, transfer or assign any of its holding in our Shares as at the date of our Listing, for a period of six months from the date of our Listing.

Our Public Issue and Offer for Sale will raise gross proceeds of RM220.0 million and RM990.0 million, respectively. For detailed information relating to our IPO and moratorium on our Shares, see Sections 4.2 and 2.2 of this Prospectus, respectively.

3.2 HISTORY AND BUSINESS

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

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

We provide credit information and analytics digital solutions on companies, businesses and consumers for use by banks and businesses at each stage of the customer lifecycle and provide credit information and analysis to consumers. We serve three types of customers: Key Accounts, Commercial and Direct-to-Consumer. As at the LPD, we provide digital solutions to approximately 430 Key Accounts customers in Malaysia, including Malaysian banks and corporates, and approximately 17,000 Commercial customers primarily in Malaysia, including SMEs in industries such as financial services, telecommunications, wholesale and retail trade, manufacturing, construction, professional services and insurance. Our Direct-to-Consumer customers are Malaysian consumers. We provide our Direct-to-Consumer customers with credit scores and detailed information including CCRIS information, directorships and business interests, litigation cases and trade references which helps consumers understand and manage their credit health and improve their financial literacy. As at the LPD, CTOS Data Systems has approximately 1.3 million users registered for a CTOS ID account, which allows users to access and purchase their CTOS Consumer Scores and credit information. As at the LPD, our databases contained profiles of approximately 15 million consumers and approximately 8 million companies and businesses. For further details on our history, group structure and business, see Sections 6 and 7 of this Prospectus.

3.3 COMPETITIVE STRENGTHS

Our competitive strengths are as follows:

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

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

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

The penetration of credit reporting and credit management solutions, measured by respective countries' credit bureau coverage of the population, remains significantly lower in Malaysia and in regional countries such as Thailand, where we have a presence, when compared to our developed market peers in the U.S. and the United Kingdom. Growth potential in the ASEAN region comes from greater penetration and usage of credit reporting services and further expansion of other services such as offering analytics (such as industry analysis and benchmarking, and share of wallet analysis), eKYC, application automation and direct-to-consumer digital solutions. We are currently the market leader of Malaysia's credit reporting industry with an estimated market share in terms of revenue of 71.2% in 2020, according to the IMR Report. Through the industry's high barriers to entry and the strong synergies we enjoy from our subscribers and database ecosystem, we are in an advantageous position to further grow our market share locally and maintain our market share leadership position in Malaysia's credit reporting industry.

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

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

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

We have a large credit database on individuals and businesses in Malaysia, having accumulated over 30 years of data in the industry since our establishment in 1990. As at the LPD, our database contained approximately 15 million consumer profiles and approximately 8 million company and business profiles. We source information for our databases from a wide range of public sources that we have access to, from domestic governmental organisations to other publicly available information such as public court listings, publications and gazettes.

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

With over 30 years in operation, we have developed long-standing relationships with a number of our customers, including our banking, telecommunications and other corporate customers who use our digital solutions. As at the LPD, each of our top five major customers has been our customer for an extended duration of time, ranging from eight to 20 years.

(vi) We have a strong financial profile – high growth, high margin and consistent ROE.

From the FYEs 31 December 2018 to 31 December 2020, we have achieved a revenue CAGR of 12.8%. In addition, we have also achieved a GP margin and EBITDA margin of 86.4% and 36.9%, respectively, for the FYE 31 December 2020. Our ROE has consistently been at least 39.0% from the FYEs 31 December 2018 to 31 December 2020.

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

Our management team has a deep wealth of experience in the credit reporting and related industries globally. Our major shareholder, Inodes, which is backed by the Creador Group, a Malaysian mid-market private equity fund group, has played a crucial role in propelling the growth and expansion of our digital solutions over the past six years.

For further details on our competitive strengths, see Section 7.2.1 of this Prospectus.

3.4 IMPACT OF THE COVID-19 PANDEMIC

We were impacted in the short-term in March 2020 to May 2020 by the effects of the MCO on our customers' in-office activities, though our business has rebounded strongly since June 2020. Our operations in Malaysia achieved a 3.2% increase in our revenue for the FYE 31 December 2020 compared to the FYE 31 December 2019 due to increased sales of our digital solutions, in particular from our Comprehensive Portfolio Review, CTOS IDGuard and CTOS Data Systems Reports.

We believe that demand for our digital solutions remained strong as our customers have been able to adapt to the new business environment and are looking for upselling and cross-selling opportunities within their existing portfolios and to gain a better understanding of risks in their portfolios. The increase in our revenue for the FYE 31 December 2020 was partially offset by a temporary decrease in revenue in March 2020 to May 2020 during the MCO where many of our Key Accounts customers temporarily reduced their lending activities substantially and churn temporarily increased for our Commercial customers. In June 2020, BNM began providing free access to its CCRIS database, which will continue until the end of 2021, which resulted in lower revenue and cost of sales of RM7.8 million related to sales of CTOS Data Systems Reports but had no impact on our GP and had resulted in an improvement in our GP margin for the FYE 31 December 2020. We expect this trend to continue through the end of 2021. Our business, financial condition and results of operations were not materially impacted by the re-introductions of the MCO in 2021 including the MCO commencing on 12 May 2021. For further details on the impact of the COVID-19 pandemic on our business, see Sections 5.1.2, 5.1.5, 5.1.8, 7.24 and 12.2.3 of this Prospectus.

3.5 FUTURE PLANS AND STRATEGIES

Our future plans and strategies are as follows:

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

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

In the next two years, we expect to invest in two main areas, i.e. our IT capabilities and data and analytics. In the medium to long term, we also intend to increase our investments in artificial intelligence and machine learning, so as to incorporate these technologies into our analytics and decisioning platforms.

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

Despite our access to a wide variety of databases from various public and proprietary sources in Malaysia and internationally, we continue to deepen and broaden our data sources to provide unique insights to our customers. Over the last five years, we have invested in various new databases. We are also in the process of expanding the information we collect to include alternative data sources such as eTR Plus.

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

We will continue to expand into new sectors that we see strong growth potential. These sectors are typically present in global credit bureaux, but relatively nascent and unique to the Malaysian credit reporting industry. These sectors include automotive, real estate and insurance.

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

To maintain and grow our leading market share, we will focus on increasing our market penetration, in particular by growing our Key Accounts customer base. We intend to introduce new digital solutions to capture a larger share of wallet of our Key Accounts customers, including banks and financial institutions. We also intend to launch new digital solutions and increase consumer awareness campaigns to increase our market penetration within the consumer segment.

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

Part of our future plan is to selectively pursue acquisitions and investments in companies as part of our growth strategy. We are actively seeking opportunities to expand geographically to some of the countries within the Asia Pacific region save for Thailand and the Philippines, and we believe that our competitive advantage lies in our deep industry expertise and track record of robust and sustainable domestic growth. As at the LPD, we have identified a target business in the Asia Pacific region but such acquisition plan is still in a preliminary discussion phase.

For further details on our future plans and strategies, see Section 7.2.2 of this Prospectus.

3.6 PROMOTER AND SUBSTANTIAL SHAREHOLDERS

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

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

Notes:

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

(2) Based on our enlarged issued share capital of 2,200,000,000 Shares upon Listing.

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

For further details on the shareholders of Inodes and their respective shareholdings in Inodes as at the LPD, see Section 9.1.1(i) of this Prospectus.

3.7 DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, our Directors and key senior management are as follows:

Name	Designation
Directors	
Tan Sri Izzuddin Bin Dali	Independent Non-Executive Chairman
Dato' Noorazman Bin Abd Aziz	Independent Non-Executive Director
Datuk Azizan Bin Haji Abd Rahman	Independent Non-Executive Director
Dennis Colin Martin	Non-Independent Executive Director / Group Chief Executive Officer
Loh Kok Leong	Non-Independent Non-Executive Director
Lynette Yeow Su-Yin	Independent Non-Executive Director
Nirmala A/P Doraisamy	Independent Non-Executive Director
Su Puay Leng	Independent Non-Executive Director
Wong Pau Min	Alternate Director to Loh Kok Leong
Key senior management	
Dennis Colin Martin	Non-Independent Executive Director / Group Chief Executive Officer
Chin Kuan Weng	Chief Executive Officer of CTOS Data Systems
Chen Thai Foong	Group Chief Financial Officer
Tracy Gan Jo Lin	Chief Operating Officer of CTOS Data Systems
Lim Sue Ling	Group Senior Head of Risk and Business Compliance
Benjamin Lau Chi Meng	Group General Manager of IT

For further information on our Directors and key senior management, see Sections 9.2.1 and 9.3.1 of this Prospectus, respectively.

3.8 RISK FACTORS

An investment in our Shares involves a number of risks, many of which are beyond our control. You should carefully consider all of the information contained in this Prospectus, including all the risk factors, before deciding to invest in our Shares. The following is a summary of the key risks that we face in our business operations, financial position and results, and shareholders' investments:

(i) Our business and the business of our associates are subject to various governmental regulations, laws and orders, including the CRA Act in Malaysia. These laws and regulations are complex and may change from time to time, and a failure to comply with them could subject us and our associates to civil or criminal penalties or other liabilities.

We derive substantially all of our revenue from our credit reporting business in Malaysia, which is governed by the CRA Act. Pursuant to the CRA Act, we are required to have a CRA Certificate issued by the CRA Registrar to operate our credit reporting business. Our current CRA Certificates held under our subsidiaries, CTOS Data Systems and Basis, both of which will expire in September 2021. Failure to renew our CRA Certificates in a timely manner or at all would negatively impact our business, financial condition and results of operations. While we are primarily subject to data collection and protection provisions under the CRA Act, for similar aspects of our business that are not regulated by the CRA Act, we remain subject to the PDPA in Malaysia. Our associate, Experian, is also subject to the PDPA in Malaysia for the processing of personal data not related to credit information. In addition, from time to time, our and Experian's customers require us and Experian to adhere to certain data collection and protection requirements, which in turn are driven by their own data collection and protection obligations under the PDPA. The operations of our associate, BOL, are subject to the Thai PDPA. Our or our associates' inability to comply with applicable laws, regulations or customer requirements with regard to personal data protection may result in legal, regulatory or contractual liabilities to us or our associates, which could have a material adverse effect on our or our associates' businesses, financial condition and results of operations.

The anti-competition laws in Malaysia and Thailand may impede our ability to realise the anticipated benefits of our acquisitions and strategic investments. Further, depending on the market definition adopted by the regulator, our market share in Malaysia may be deemed a dominant position under the Competition Act, which could subject us to increased regulatory scrutiny. The legality of our business practices is also subject to the evolving market conditions and structure of some of the products and services that we offer, and any adverse interpretations or applications of existing laws and regulations in a manner inconsistent with our business practices may result in us being subject to regulatory scrutiny and consequently harm our reputation, business, financial condition and results of operations. Our management may be required to dedicate significant amount of time and resources in response to such heightened scrutiny in Malaysia, which could be disruptive to our business even if we are ultimately found not to have engaged in any unlawful activities.

Our business and the business of our associates are subject to various laws and regulations. These laws and regulations are complex, subject to change and could become more stringent over time. Legal and regulatory developments and non-compliance with laws and regulations could have a material adverse effect on our or our associates' businesses and results of operations. Changes in applicable legislation or regulations that restrict or dictate how we or our associates collect, maintain, combine and disseminate information, or that require us or our associates to provide services to consumers or a segment of consumers without charge, could adversely affect our or our associates' businesses, financial condition or results of operations.

(ii) We or our associates could lose access to external data sources and providers which could adversely affect our or our associates' ability to provide digital solutions. In addition, if our or our associates' data sources become accessible more easily or affordable, demand for and revenue from some of our or our associates' digital solutions may decrease.

We and our associates depend on continued access to and receipt of data from external sources, including data obtained directly or indirectly from our and our associates' customers, strategic partners and various government and public record repositories such as the CCRIS and the CCM in Malaysia, and the Thai DBD and the Thai LED in Thailand. Our or our associates' data sources and providers could stop providing data or provide data in an untimely manner or increase the costs for their data for a variety of reasons, including a perception that our or our associates' systems are insecure as a result of data security incidents, budgetary constraints, a desire to generate additional revenue, competitive reasons or due to changes in regulations. If access to our or our associates' external data sources is reduced, whether partially or significantly, or if such data becomes more expensive to obtain, our or our associates' ability to provide digital solutions could be negatively impacted which would adversely affect our or our associates' reputation, businesses, financial condition and results of operations. There can be no assurance that we or our associates will be able to continue to obtain data from external data sources or providers on acceptable terms or at all or from alternative sources if our or our associates' current sources become unavailable.

Public and commercial sources of free or relatively inexpensive consumer information may become more readily available over time and as a consequence, may reduce demand for some of our or our associates' digital solutions. Governmental agencies may also provide free credit information to consumers. For example, in June 2020, to help alleviate the impact of the COVID-19 pandemic, BNM began providing free access to its CCRIS database which will continue until the end of 2021, which has reduced our revenue and cost of sales related to sales of our CTOS Data Systems Reports in the FYE 31 December 2020 and is expected to continue to have the same effect through the end of 2021. To the extent that our or our associates' customers choose not to obtain reports or digital solutions from us or our associates and instead rely on information obtained at little or no cost from these public and commercial sources, our or our associates' businesses, financial condition and results of operations may be adversely affected.

(iii) If we fail to maintain the integrity of our databases, our financial condition, results of operations, brand and reputation could be adversely affected.

The integrity and reliability of our information databases are critical to our financial condition, results of operations, brand and reputation. There can be no assurance that we will be able to identify and update stale or inaccurate information in our information databases in a timely manner or at all. Any staleness or inaccuracy of information in our databases, if not rectified by us in a timely manner, may result in enforcement actions from our regulators. Further, there can be no assurance that the quality and accuracy of data or databases that we acquire or have access to, including data that we obtain from our customers and data and databases of companies that we acquire.

If the quality of our databases decreases or if the integrity of our databases is compromised, we may face customer or third-party claims and customers or the general public may lose confidence in our digital solutions. We have in the past been and continue to be subject to customer and third-party complaints and lawsuits regarding our data, and we could be subject to similar complaints and lawsuits in the future which could adversely affect our financial condition, results of operations, brand and reputation.

(iv) If we are unable to maintain our pioneer status, we may lose our tax incentives.

Our subsidiary, CTOS Data Systems, which accounted for 98.7%, 99.8% and 95.1% of our Group's PATAMI for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, respectively, has been awarded pioneer status incentives under the PIA 1986 for MSC Malaysia Qualifying Activities. CTOS Data Systems is entitled to a tax exemption for the tax relief period granted on its "value added income" which means its statutory income for the basis period for the year of assessment less the inflation adjusted base income. CTOS Data Systems' statutory income is its income derived from MSC Malaysia Qualifying Activities. Inflation adjusted base income is calculated with reference to CTOS Data Systems' average statutory income for up to three years before it was awarded pioneer status incentives adjusted with the rate of inflation for the basis year.

As a result, our effective tax rate for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 of 6.7%, 5.4% and 5.8%, respectively, has been significantly lower than the statutory tax rate of 24.0% in Malaysia. The tax relief period under CTOS Data Systems' MSC Pioneer Certificate is from 9 November 2016 to 8 November 2021. However, pursuant to the Grandfathering and Transitional Guidelines which became effective on 1 January 2019, such tax relief period will be until 30 June 2021. CTOS Data Systems requires approval from MDEC to enjoy these tax incentives throughout the Transitional Period.

CTOS Data Systems had submitted the application for MDEC's approval for the continuation of these tax incentives throughout the Transitional Period on 22 June 2021. While there is no assurance that we will be able to obtain MDEC's approval by 30 June 2021 for the continuation of these tax incentives throughout the Transitional Period, should we obtain such approval after 1 July 2021, the tax relief period will continue from 1 July 2021 until 8 November 2021 even if the tax relief period has expired on 30 June 2021. We also plan to seek MDEC's renewal of CTOS Data Systems' pioneer status in the third quarter of 2021 for an extended relief period of five years until November 2026.

We believe that CTOS Data Systems' pioneer status will be renewed in 2021. If the pioneer status of CTOS Data Systems is revoked or not renewed, CTOS Data Systems' statutory income would be subject to the prevailing statutory tax rate of 24.0%, resulting in an increase in the effective tax rate of our Group for the FYE 31 December 2021 (which may be higher than the prevailing statutory tax rate due to non-tax deductible items) compared to our effective tax rate of 5.8% for the FYE 31 December 2020.

CTOS Data Systems may also lose its MSC Malaysia Status if CTOS Data Systems is unable to continue to comply with the requirements prescribed under the approval by MDEC. In addition, CTOS Data Systems' pioneer status is conditional upon CTOS Data Systems' MSC Malaysia Status remaining valid. The loss of CTOS Data Systems' MSC Malaysia Status would result in the loss of CTOS Data Systems' pioneer status (including the related tax incentives described above), which in turn would adversely impact our PATAMI.

For further details on our risk factors, see Section 5 of this Prospectus.

3.9 FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following table sets out information derived from our consolidated statements of comprehensive income for the financial years indicated.

	FYE 31 December		
	Audited		
	2018	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**
Revenue	110,465	129,141	140,496
Cost of sales	(17,526)	(21,599)	(19,056)
GP	**92,939**	**107,542**	**121,440**
PBT	31,791	41,246	40,332
Profit/(loss) for the financial year attributable to:			
Owners of the Company	29,656	39,009	39,187
Non-controlling interests	-	-	(1,210)
Profit for the financial year	**29,656**	**39,009**	**37,977**
Total equity	60,034	78,948	115,728
Total borrowings	11,535	27,628	132,320

	FYE 31 December		
	2018	**2019**	**2020**
Supplementary financial information			
GP margin(1) (%)	84.1	83.3	86.4
PBT margin(2) (%)	28.8	31.9	28.7
Effective tax rate(3) (%)	6.7	5.4	5.8
PATAMI margin(4) (%)	26.8	30.2	27.9
Current ratio(5) (times)	1.5	0.5	0.3
Gearing ratio(6) (times)	0.2	0.3	1.1

Notes:

(1) Computed based on GP divided by revenue.

(2) Computed based on PBT divided by revenue.

(3) Our subsidiary, CTOS Data Systems, the main contributor to our Group's income, is entitled to pioneer status incentives under the PIA 1986 for MSC Malaysia Qualifying Activities. As a result, our effective tax rate has been significantly lower than the statutory tax rate of 24.0% in Malaysia. The tax relief period under CTOS Data Systems' MSC Pioneer Certificate is from 9 November 2016 to 8 November 2021. However, pursuant to the Grandfathering and Transitional Guidelines which became effective on 1 January 2019, such tax relief period will be until 30 June 2021. For more information, see Section 12.2.2 of this Prospectus and Note 2.9 of the Accountants' Report in Section 13 of this Prospectus.

(4) Computed based on PATAMI divided by revenue.

(5) Computed based on current assets divided by current liabilities as at the end of the financial year.

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

3.10 USE OF PROCEEDS

We expect to use the gross proceeds from our Public Issue amounting to RM220.0 million(1) in the following manner:

Details of use of proceeds	Estimated timeframe for use from the date of our Listing	RM'000	%
Repayment of our bank borrowings	Within three months	155,181	70.5
Defray fees and expenses for our IPO and Listing(2)	Within six months	6,098	2.8
Acquisitions to be identified(3)	Within 36 months	58,700	26.7
Total		**220,000**	**100.0**

Notes:

(1) We have assumed that the Institutional Price and the Final Retail Price will be equal to the Retail Price.

(2) Comprises placement fee in respect of the Institutional Offering and brokerage fees and underwriting commission in respect of our Public Issue. The other fees and expenses in respect of our IPO and Listing will be borne by Inodes.

(3) Acquisition targets are companies with digital solutions that complement ours, both in Malaysia and in the Asia Pacific region and have significant growth potential.

For detailed information relating to the use of proceeds arising from our Public Issue, see Section 4.6 of this Prospectus.

3.11 DIVIDEND POLICY

For information purposes, the following table sets out our Company's dividends declared for the financial years indicated and paid as of the date of this Prospectus:

	FYE 31 December		
	2018	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**
Dividends declared and paid	42,313	22,378	24,750

On 15 June 2021, we declared a dividend-in-specie pursuant to the Distribution to our shareholders, amounting to RM15.1 million for the FYE 31 December 2021 which was completed on even date. The dividends declared in 2021 are not expected to have any impact on the execution and implementation of our future plans or strategies. As our Company is a holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends that we receive from our subsidiaries and associates. Distributions by our subsidiaries and associates will depend upon their operating results, earnings, capital requirements, general financial condition and other relevant factors. We target a pay-out ratio of 60% of our profit attributable to the owners of our Company for each financial year on a consolidated basis after taking into account working capital, maintenance capital and committed capital requirements of our Group. The declaration and payments of any dividend is subject to the confirmation of our Board as well as any applicable law, licence conditions and contractual obligations, certain banking restrictive covenants which our Company is subject to as set out in Section 5.1.18 of this Prospectus and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board. As at the LPD, there are no dividend restrictions imposed on our subsidiaries.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend pay-outs. See Section 5.3.3 of this Prospectus for the factors which may affect or restrict our ability to pay dividends. For detailed information relating to our dividend policy, see Section 12.5 of this Prospectus.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

4. DETAILS OF OUR IPO

4.1 INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative times and/or dates:

Event	Time and/or Date
Opening of the Institutional Offering[(1)]	30 June 2021
Issuance of the Prospectus/Opening of the Retail Offering	10:00 a.m., 30 June 2021
Closing of the Retail Offering	5:00 p.m., 6 July 2021
Closing of the Institutional Offering	6 July 2021
Price Determination Date	7 July 2021
Balloting of applications for our Issue Shares under the Retail Offering	8 July 2021
Allotment/Transfer of our IPO Shares to successful applicants	16 July 2021
Listing	19 July 2021

Note:

(1) Other than the Institutional Offering to the Cornerstone Investors. The Master Cornerstone Placement Agreement for the acquisition of our IPO Shares by the Cornerstone Investors was entered into on 16 June 2021.

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

4.2 PARTICULARS OF OUR IPO AND PLAN OF DISTRIBUTION

Our IPO is subject to the terms and conditions of this Prospectus. Upon acceptance, our IPO Shares are expected to be allocated in the manner described below, subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus.

Our IPO consists of the Institutional Offering and the Retail Offering, totalling up to 1,100,000,000 IPO Shares, representing 50.00% of our enlarged issued share capital.

4.2.1 Pre-IPO Exercise

On 10 June 2021, our Company undertook a subdivision of one existing Share into 20 Shares to enhance the liquidity of our Shares at the time of our Listing.

On 15 June 2021, our Company completed the Distribution, which was undertaken by way of dividend-in-specie of 4,900,001 ordinary shares in CIBI Holdings held by our Company, representing the entire equity interest in CIBI Holdings to our existing shareholders. Following the Distribution, CIBI Holdings and CIBI ceased to be our subsidiaries. For further details on the Distribution, see Sections 6.1.1 and 7.1 of this Prospectus.

Following the completion of the Subdivision, our total issued Shares is 2,000,000,000 Shares.

4.2.2 Institutional Offering

The Institutional Offering involves the offering of up to 936,000,000 IPO Shares (comprising up to 900,000,000 Offer Shares and 36,000,000 Issue Shares), representing approximately up to 42.55% of our enlarged issued share capital, subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus, at the Institutional Price to the following persons:

(a) Malaysian institutional and selected investors; and

(b) foreign institutional and selected investors outside the United States in reliance on Regulation S.

As part of the Institutional Offering, on 16 June 2021, our Company and the Selling Shareholders, entered into a Master Cornerstone Placement Agreement with the Joint Global Coordinators, the Joint Bookrunners and the Cornerstone Investors where the Cornerstone Investors have agreed to acquire, subject to the terms of the Master Cornerstone Placement Agreement and the individual cornerstone placement agreements, an aggregate of 509,467,900 Offer Shares, representing approximately 23.16% of our enlarged issued share capital at RM1.10 per Offer Share or the Institutional Price, whichever is lower. None of the Cornerstone Investors will individually acquire or subscribe for 5.0% or more of our enlarged issued share capital under the cornerstone placement agreements.

The cornerstone placement agreements are conditional upon, among others, the Retail Underwriting Agreement and the Placement Agreement being entered into and not having been terminated pursuant to their respective terms.

4.2.3 Retail Offering

The Retail Offering involves the offering of 164,000,000 Issue Shares, representing approximately 7.45% of our enlarged issued share capital, subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus, at the Retail Price to be allocated in the following manner:

(i) Allocation to the Eligible Persons

120,000,000 Issue Shares, representing approximately 5.45% of our enlarged issued share capital, are reserved for application by the Eligible Persons in the following manner:

Eligible Persons	**No. of Eligible Persons**	**Aggregate no. of Issue Shares allocated**
Our Directors[1]	8	3,200,000
Eligible employees of our Group (including directors of our subsidiaries)[2]	479	26,800,000
Persons who have contributed to the success of our Group[3]	17,430	90,000,000
Total	**17,917**	**120,000,000**

Notes:

(1) The criteria for allocation to our Directors is based on, among others, our Directors' respective roles and responsibilities in our Company. Save for Nirmala A/P Doraisamy who has indicated that she will not be subscribing for our Issue Shares, our Directors intend to subscribe for our Issue Shares allocated to them as follows:

Director	No. of Issue Shares allocated
Tan Sri Izzuddin Bin Dali	300,000
Dato' Noorazman Bin Abd Aziz	300,000
Datuk Azizan Bin Haji Abd Rahman	300,000
Dennis Colin Martin	500,000
Loh Kok Leong	500,000
Lynette Yeow Su-Yin	300,000
Su Puay Leng	300,000
Wong Pau Min	700,000

(2) The allocation is to be made to full time confirmed employees of our Group based on length of service, performance, job grade and their past contribution to our Group.

(3) The allocation is based on, among others, their contributions to the success of our Group and their length of business relationship with us. Persons who have contributed to the success of our Group are as set out below:

(i) Our Key Accounts and Commercial customers based on their respective revenue contributions to our Group in the past 12 months prior to the LPD and the length of their respective business relationships with our Group; and

(ii) Dato' Haji Badri bin Haji Masri, our former Independent Non-Executive Director, who had been a director of our Company for approximately six years and had resigned on 30 September 2020.

(ii) Allocation via balloting to the Malaysian Public

44,000,000 Issue Shares, representing 2.00% of our enlarged issued share capital, are reserved for application by the Malaysian Public of which 22,000,000 Issue Shares have been set aside for application by Bumiputera citizens, companies, co-operatives, societies and institutions.

In summary, our IPO Shares will be allocated subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus, in the following manner:

	Offer for Sale		Public Issue		Total	
Category	**No. of Shares**	**% of our enlarged issued share capital**	**No. of Shares**	**% of our enlarged issued share capital**	**No. of Shares**	**% of our enlarged issued share capital**
	'000		**'000**		**'000**	
Retail Offering:						
Eligible Persons:						
- Our Directors	-	-	3,200	0.15	3,200	0.15
- Eligible employees of our Group (including directors of our subsidiaries)	-	-	26,800	1.22	26,800	1.22
- Persons who have contributed to the success of our Group	-	-	90,000	4.09	90,000	4.09
Malaysian Public (via balloting):						
- Bumiputera			22,000	1.00	22,000	1.00
- Non-Bumiputera			22,000	1.00	22,000	1.00
Sub-total	**-**	**-**	**164,000**	**7.45**	**164,000**	**7.45**
Institutional Offering:						
Malaysian and foreign institutional and selected investors	900,000	40.91	36,000	1.64	936,000	42.55
Total	**900,000**	**40.91**	**200,000**	**9.09**	**1,100,000**	**50.00**

The completion of the Retail Offering and the Institutional Offering are inter-conditional. Our IPO is also subject to the public shareholding spread requirement under the Listing Requirements as set out in Section 4.2.8 of this Prospectus. Our Public Issue and Offer for Sale will raise gross proceeds of RM220.0 million and RM990.0 million, respectively.

4.2.4 Clawback and reallocation

The Institutional Offering and the Retail Offering will be subject to the following clawback and reallocation provisions:

(i) if the Issue Shares allocated to Eligible Persons are under-subscribed, such Issue Shares may be allocated to the other Malaysian and foreign institutional and selected investors under the Institutional Offering or the Malaysian Public under the Retail Offering or a combination of both, at the discretion of the Joint Global Coordinators and us;

(ii) subject to item (i) above, if there is an over-subscription in the Retail Offering and there is a corresponding under-subscription in the Institutional Offering, our IPO Shares may be clawed back from the Institutional Offering and allocated to the Retail Offering; and

(iii) subject to item (i) above, if there is an over-subscription in the Institutional Offering and there is a corresponding under-subscription in the Retail Offering, our Issue Shares may be clawed back from the Retail Offering and allocated to the Institutional Offering.

There will be no clawback and reallocation if there is an over-subscription or under-subscription in both the Institutional Offering and the Retail Offering or an under-subscription in either the Institutional Offering or the Retail Offering but no over-subscription in the other.

Any Issue Shares not taken up by the Eligible Persons ("**Excess Issue Shares**") will be made available for application by the Eligible Persons who have applied for excess on top of their pre-determined allocation and allocated on a fair and equitable basis and in the following priority:

(a) firstly, allocation on a pro-rata basis to our Directors and eligible employees of our Group (including directors of our subsidiaries) who have applied for the Excess Issue Shares based on the number of Excess Issue Shares applied for;

(b) secondly, allocation of any surplus Excess Issue Shares after (a) above on a pro-rata basis to persons who have contributed to the success of our Group who have applied for the Excess Issue Shares based on the number of Excess Issue Shares applied for; and

(c) thirdly, to minimise odd lots.

Our Board reserves the right to allot Excess Issue Shares applied in such manner as it may deem fit and expedient in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in items (a) to (c) above is achieved. Our Board also reserves the right to accept or reject any Excess Issue Shares application, in full or in part, without assigning any reason.

Once completed, the steps involving items (a) to (c) above will not be repeated. Should there be any balance of Excess Issue Shares thereafter, such balance will be made available for clawback and reallocation as described in item (i) above. Any Issue Shares under the Retail Offering not applied for after being subject to the clawback and reallocation provisions above shall be underwritten by the Joint Underwriters.

4.2.5 Classes of shares and ranking

As at the date of this Prospectus, we only have one class of shares, being ordinary shares.

Our Issue Shares will, upon allotment and issue, rank equally in all respects with our existing issued Shares including voting rights, and will be entitled to all rights, dividends and other distributions that may be declared subsequent to the date of allotment of the Issue Shares, subject to any applicable Rules of Bursa Depository.

The Offer Shares rank equally in all respects with our existing issued Shares including voting rights, and will be entitled to all rights, dividends and other distributions that may be declared subsequent to the date of transfer of the Offer Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special rights attaching to any Shares we may issue in the future, our shareholders shall, in proportion to the amount paid on our Shares held by them, be entitled to share the profits paid out by us in the form of dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At every general meeting of our Company, each of our shareholders shall be entitled to vote in person, by proxy or by attorney or by other duly authorised representative. Any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have one vote for each Share held or represented. A proxy may but need not be a member of our Company.

4.2.6 Share capital

Upon completion of our IPO, our share capital will be as follows:

	No. of Shares	RM'000
After the Subdivision	2,000,000,000	197,994
To be issued under our Public Issue	200,000,000	(1)213,902
Total upon Listing	**2,200,000,000**	**411,896**

Note:

(1) Calculated based on the Retail Price and after deducting the estimated listing expenses of approximately RM6.1 million which is directly attributable to our Public Issue and allowed to be debited against the share capital of our Company.

4.2.7 Priority of the offering

In the event the demand for our IPO Shares is less than 1,100,000,000 IPO Shares, our Public Issue shall take precedence over the Offer for Sale. The demand for our IPO Shares shall be firstly satisfied with the Issue Shares under our Public Issue, and following that, any excess demand will be satisfied with the Offer Shares under the Offer for Sale.

4.2.8 Minimum subscription level

There is no minimum subscription level in terms of proceeds to be raised under our IPO. However, in order to comply with the public shareholding spread requirement under the Listing Requirements, the minimum subscription level in terms of the number of IPO Shares will be the number of Shares required to be held by the public shareholders of our Company to comply with the minimum public shareholding spread requirement under the Listing Requirements or as approved by Bursa Securities.

Under the Listing Requirements, we are required to have a minimum of 25.0% of our Shares held by at least 1,000 public shareholders, each holding not less than 100 Shares at the point of our Listing.

If the above requirement is not met, we may not be able to proceed with our Listing. See Section 5.3.5 of this Prospectus for details in the event there is a delay in or termination of our Listing.

4.3 SELLING SHAREHOLDERS

The Offer Shares to be offered by the Selling Shareholders and their respective direct shareholdings in our Company before and after our IPO and their material relationship with our Group within the past three years are as follows:

		Shareholding after the Subdivision		Offer for Sale		After our IPO	
Name	**Material relationship with our Group**	**No. of Shares**	[(1)]**%**	**No. of Shares**	[(2)]**%**	**No. of Shares**	[(2)]**%**
Inodes	Promoter and substantial shareholder	1,600,000,000	80.0	720,000,000	32.7	880,000,000	40.0
Chung Tze Keong	Substantial shareholder	180,000,000	9.0	81,000,000	3.7	99,000,000	4.5
Chung Tze Wen	Substantial shareholder	180,000,000	9.0	81,000,000	3.7	99,000,000	4.5
Ng Gaik Lin @ June Ng	Shareholder	40,000,000	2.0	18,000,000	0.8	22,000,000	1.0
Total		**2,000,000,000**	**100.0**	**900,000,000**	**40.9**	**1,100,000,000**	**50.0**

Notes:

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

(2) Based on our enlarged issued share capital of 2,200,000,000 Shares upon Listing.

4.4 BASIS OF ARRIVING AT THE PRICE OF OUR IPO SHARES AND REFUND MECHANISM

4.4.1 Retail Price

The Retail Price was determined and agreed upon between our Directors and the Selling Shareholders in consultation with the Joint Global Coordinators, after taking into consideration the following factors:

(i) Our Group's strong growth in revenue and net profit for the FYEs 31 December 2018 to 31 December 2020 at a CAGR of 12.8% and 15.0% respectively. Our EBITDA grew at a CAGR of 21.5% over the same period and our EBITDA margins were 31.8%, 37.6% and 36.9% for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, respectively, whereas our Normalised PATAMI margins were 27.6%, 32.6% and 32.4% for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, respectively;

(ii) PER of approximately 61.8 times based on our Group's EPS of 1.78 sen after taking into account our PATAMI of RM39.2 million for the FYE 31 December 2020 and our 2,200,000,000 Shares upon Listing;

(iii) Our competitive strengths, as follows:

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

(b) the penetration of credit reporting and credit management solutions in Malaysia and neighbouring ASEAN markets are a fraction of our developed market peers, presenting us with visible growth upside;

(c) we have an extensive distribution network and sales force, supported by a well-trained after sales support team to ensure strong customer acquisition and retention;

(d) we have accumulated a large credit database on individuals and businesses in Malaysia with extensive access to key financial databases;

(e) we have developed a diversified customer base, with whom we enjoy strong, long-term relationships;

(f) we have a strong financial profile comprising high growth in revenue and market share, high gross profit margin and EBITDA margin and consistent ROE; and

(g) we have an experienced management team and our major shareholder is backed by a Malaysian mid-market private equity fund group;

(iv) Our future plans and strategies, as follows:

(a) we intend to continue to invest in further developing and extending our ecosystem of end-to-end credit management solutions;

(b) we will continue to deepen and broaden our data sources;

(c) we aim to expand into new verticals including the automotive, real estate and insurance sectors;

(d) we aim to maintain and grow our market share leadership for CRA services in Malaysia; and

(e) we may selectively pursue acquisitions and investments in companies as part of our growth strategy;

(v) positive outlook of the credit reporting market in ASEAN including Malaysia with expected higher demand for real-time credit decisioning following the shift in consumer behaviour to online spending and services accelerated by the COVID-19 pandemic, drives the credit reporting growth. Furthermore, the ASEAN market with countries such as Thailand, Vietnam and Indonesia are still underpenetrated and still at a nascent stage of the crediting reporting industry compared to certain neighbouring countries. See Section 8 of this Prospectus for further details; and

(vi) prevailing market conditions which include among others, market performance of key global indices and companies involved in similar business listed on other exchanges, current market trends and investors' sentiments.

The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date, and will be the lower of:

(i) the Retail Price; or

(ii) the Institutional Price.

In the event that the Final Retail Price is lower than the Retail Price, the difference between the Retail Price and the Final Retail Price will be refunded to the successful applicants without any interest thereon. See Section 4.4.3 of this Prospectus for details of the refund mechanism.

The Final Retail Price and the Institutional Price will be announced within two Market Days from the Price Determination Date via Bursa Listing Information Network. In addition, all successful applicants will be given written notice of the Final Retail Price and the Institutional Price, together with the notices of allotment for our IPO Shares.

4.4.2 Institutional Price

The Institutional Price will be determined by a bookbuilding process wherein prospective institutional and selected investors will be invited to bid for portions of the Institutional Offering by specifying the number of our IPO Shares they would be prepared to acquire and the price they would be prepared to pay for our IPO Shares in respect of the Institutional Offering. This bookbuilding process commenced on 30 June 2021 and will end on 6 July 2021. Upon completion of the bookbuilding process, the Institutional Price will be fixed by our Directors and the Selling Shareholders in consultation with the Joint Global Coordinators on the Price Determination Date.

4.4.3 Refund mechanism

If the Final Retail Price is lower than the Retail Price, the difference between the Retail Price and Final Retail Price will be refunded to the successful applicants without any interest thereon. The refund in the form of cheques will be despatched by ordinary post to the address maintained with Bursa Depository for applications made via the Application Form or by crediting into the accounts of the successful applicants with the Participating Financial Institution for applications made via the Electronic Share Application or by crediting into the accounts of the successful applicants with the Internet Participating Financial Institution for applications made via the Internet Share Application, within ten Market Days from the date of final ballot of applications, at the successful applicants' own risk.

For further details on the refund mechanism, see Section 15.10 of this Prospectus.

4.4.4 Expected market capitalisation

Based on the Retail Price, the total market capitalisation of our Company upon our Listing would be approximately RM2.4 billion.

You should also note that the market price of our Shares upon our Listing is subject to the vagaries of market forces and other uncertainties. You are reminded to carefully consider the risk factors as set out in Section 5 of this Prospectus.

4.5 DILUTION

Dilution is the amount by which our pro forma consolidated NA per Share after our IPO is less than the price paid by retail, institutional and selected investors for our Shares. Our pro forma consolidated NA per Share as at 31 December 2020 after the Pre-IPO Exercise and after adjusting for (i) the acquisition of the entire equity interest of Basis; and (ii) declaration and/or payment of the interim dividend for the FYE 31 December 2020 of RM5.3 million and RM17.0 million, respectively (collectively, "**Subsequent Events***"), but before adjusting for our IPO was RM0.04, based on 2,000,000,000 Shares following the Subdivision.

Note:

* The Subsequent Events do not include the disposal of our entire 20.0% equity interest of Consumer CreditScore Philippines, Inc. for a consideration of approximately RM702 by CIBI, which was completed on 11 February 2021. Our investment in Consumer CreditScore Philippines, Inc., was fully impaired as at 31 December 2020 and the gain on completion of the disposal is insignificant.

After taking into account our enlarged number of issued Shares from the issuance of 200,000,000 Issue Shares and after adjusting for the Subsequent Events and use of proceeds from our Public Issue, our pro forma consolidated NA as at 31 December 2020 would be RM0.13. This represents an immediate increase in consolidated NA per Share of RM0.09 to our existing shareholders and an immediate dilution in NA per Share of RM0.97 representing 88.2% of the Retail Price and the Institutional Price (assuming the Final Retail Price and the Institutional Price will equal the Retail Price) to the retail/institutional and selected investors.

The following table illustrates such dilution on a per Share basis assuming the Retail Price is equal to the Final Retail Price and the Institutional Price:

Final Retail Price/Institutional Price	RM1.10
Pro forma consolidated NA per Share as at 31 December 2020 after the Pre-IPO Exercise, the Subsequent Events and before adjusting for our IPO	RM0.04
Pro forma consolidated NA per Share as at 31 December 2020, after the Pre-IPO Exercise, the Subsequent Events and after adjusting for the use of proceeds from our Public Issue	RM0.13
Increase in consolidated NA per Share to our existing shareholders	RM0.09
Dilution in pro forma consolidated NA per Share to retail/institutional and selected investors	RM0.97
Dilution in pro forma consolidated NA per Share to retail/institutional and selected investors as a percentage of the Retail Price/Institutional Price	88.2%

None of our substantial shareholders, Directors, key senior management, or persons connected to them had acquired our Shares in the past three years up to the LPD or have the right to acquire and/or subscribe for our Shares as at the LPD.

4.6 USE OF PROCEEDS

We expect to use the gross proceeds from our Public Issue amounting to RM220.0 million(1) in the following manner:

Details of use of proceeds	Estimated timeframe for use from the date of our Listing	RM'000	%
Repayment of our bank borrowings	Within three months	155,181	70.5
Defray fees and expenses for our IPO and Listing	Within six months	6,098	2.8
Acquisitions to be identified	Within 36 months	58,721	26.7
Total		**220,000**	**100.0**

Note:

(1) We have assumed that the Institutional Price and the Final Retail Price will be equal to the Retail Price.

Further details on the use of proceeds from our Public Issue are as follows:

4.6.1 Repayment of our bank borrowings

Our Group's total borrowings stands at RM157.9 million as at the LPD, comprising USD20.4 million (approximately RM84.5 million*) from RHB Term Loan 1, RM42.2 million from RHB Term Loan 2 and RM31.2 million from RHB Term Loan 3. RHB Term Loan 1 was drawn down on 28 October 2020 to finance the acquisition of a 20.0% equity interest in BOL whilst RHB Term Loan 2 was drawn down on 28 October 2020 to refinance our Group's term loan facilities which were utilised mainly to finance the acquisition of a 26.0% equity interest in Experian. In addition, RHB Term Loan 3 was drawn down on 4 January 2021 and 18 February 2021 to finance the acquisition of Basis.

We intend to use RM155.2 million of the proceeds from our Public Issue to repay all the outstanding amount under RHB Term Loan 1, RHB Term Loan 2 and RHB Term Loan 3 respectively at the time of our Listing.

The loan facilities to be repaid from the proceeds of our Public Issue bear an interest rate of cost of funds (COF) plus 2.0% per annum (effective rate of approximately 3.4% as at the LPD) and each term facility is required to be repaid within five years from the first utilisation of any of the facilities, subject to certain mandatory prepayment events.

The repayment of the loan facilities is expected to have a positive financial impact on our Group with interest savings of approximately RM5.4 million per annum based on the effective rate of approximately 3.4%.

Note:

* Computed based on USD1:RM4.138, being the middle rate prevailing as at 12.00 p.m. on the LPD as published by BNM.

4.6.2 Defray fees and expenses for our IPO and Listing

The estimated fees and expenses for our IPO and Listing to be borne by us are estimated to be RM6.1 million, comprising placement fee in respect of the Institutional Offering and brokerage fees and underwriting commission in respect of our Public Issue. The other fees and expenses in respect of our IPO and Listing will be borne by Inodes namely, professional fees, fees payable to authorities, other fees and expenses such as printing, advertising, travel and roadshow expenses, and other miscellaneous expenses to be incurred by us for our IPO which is estimated to be approximately RM10.9 million.

4.6.3 Acquisitions to be identified

One of our future plans is to selectively pursue acquisitions and investments in companies as part of our growth strategy. We typically seek assets that have direct cost and capability synergies with our digital solutions, enabling us to expand our digital solutions offering, achieve value chain integration for our existing segments and customers, and facilitate entry into new verticals.

We are selective about company acquisitions, first assessing if the proposed target business presents a clear value proposition. We primarily seek acquisitions of digital solutions that complement ours, as well as businesses with significant growth potential.

In light of the above strategy, we are exploring investment and acquisition opportunities in companies within Malaysia and in the Asia Pacific region which meet such criteria. As at the LPD, we have identified a target business in the Asia Pacific region but such acquisition plan is still in a preliminary discussion phase. We may also consider increasing our equity interest in BOL in the future. Although we may evaluate CIBI for future re-investment, the proceeds from our Public Issue will not be used for such purpose.

We plan to use RM58.7 million of the proceeds from our Public Issue for investment and acquisition of BOL or target companies to be identified in the next 36 months. Any excess funds not used for this purpose will be used to meet the working capital requirements of our Group. However, in the event the allocated proceeds are insufficient for investments in and/or acquisitions of target companies, such shortfall will be funded through internally generated funds and/or bank borrowings.

The actual proceeds accruing to our Company will depend on the Institutional Price and the Final Retail Price. If the actual proceeds are higher than budgeted above, the excess will be used for acquisitions to be identified. Conversely, if the actual proceeds are lower than budgeted above, the proceeds allocated for acquisitions to be identified will be reduced.

Given the timing of the use of proceeds to be raised from our Public Issue may not be immediate and as part of our efficient capital management to maximise profit income, we intend to place the proceeds raised from our Public Issue or any balance (including accrued profit, if any) in profit-bearing accounts with licensed financial institution(s) and/or in money-market deposit instruments/funds.

Our Company will not receive any proceeds from the Offer for Sale. The total gross proceeds from the Offer for Sale of up to approximately RM990.0 million will accrue entirely to the Selling Shareholders. The Selling Shareholders will bear placement fees in relation to the Offer for Sale which is estimated to be approximately RM21.0 million.

4.7 BROKERAGE FEE, UNDERWRITING COMMISSION AND PLACEMENT FEE

4.7.1 Brokerage fee

We will pay brokerage in respect of our Issue Shares under the Retail Offering at the rate of 1.0% (exclusive of applicable tax) of the Final Retail Price in respect of all successful applications which bear the stamp of either the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

The Joint Global Coordinators and the Joint Bookrunners are entitled to charge brokerage commission to successful applicants under the Institutional Offering. For the avoidance of doubt, such brokerage commission under the Institutional Offering will not be payable by us or the Selling Shareholders.

4.7.2 Underwriting commission

As stipulated in the Retail Underwriting Agreement, the Joint Managing Underwriters and the Joint Underwriters have agreed to underwrite our Issue Shares under the Retail Offering for an underwriting commission of 1.5% (exclusive of applicable tax) of the Retail Price multiplied by the total number of Issue Shares underwritten under the Retail Offering in accordance with the terms of the Retail Underwriting Agreement.

4.7.3 Placement fee

The Selling Shareholders for the Offer Shares and us for our Issue Shares will pay the Joint Global Coordinators and Joint Bookrunners a placement fee and selling commission of up to 1.5% (exclusive of applicable tax) and may pay the Joint Global Coordinators and Joint Bookrunners a discretionary fee of up to 0.5% (exclusive of applicable tax) of the Institutional Price multiplied by the number of IPO Shares sold to Malaysian and foreign institutional and selected investors in accordance with the terms of the Placement Agreement.

4.8 DETAILS OF THE UNDERWRITING, PLACEMENT AND LOCK-UP ARRANGEMENTS

4.8.1 Underwriting

We have entered into the Retail Underwriting Agreement with the Joint Managing Underwriters and the Joint Underwriters to severally and not jointly (nor jointly and severally) underwrite 164,000,000 Issue Shares under the Retail Offering, subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus and upon the terms and subject to the conditions of the Retail Underwriting Agreement.

Details of the underwriting commission are set out in Section 4.7.2 of this Prospectus, while the salient terms of the Retail Underwriting Agreement are as follows:

Unless waived by the Joint Managing Underwriters and Joint Underwriters (on behalf of all the Joint Underwriters), who have agreed to underwrite 164,000,000 of our Issue Shares under the Retail Offering, the underwriting obligations of the Joint Managing Underwriters and Joint Underwriters are subject to certain conditions precedent which must be fulfilled or waived on or before two Market Days after the closing date of the Retail Offering as stated in this Prospectus or such later date as may be agreed in writing by the Joint Managing Underwriters (on behalf of all the Joint Underwriters).

The Joint Managing Underwriters (for and on behalf of the Joint Underwriters) may by notice to our Company given at any time before the date of Listing, terminate, cancel and withdraw their respective underwriting commitment if:

(i) there is an occurrence of any event or discovery of any fact or circumstances resulting in a breach by our Company of any of the warranties or undertakings set out in the Retail Underwriting Agreement or rendering any of the warranties untrue, inaccurate or misleading in all respects;

(ii) there is a breach or failure on the part of our Company to perform any obligations contained in the Retail Underwriting Agreement which, in the reasonable and sole opinion of the Joint Managing Underwriters have, or could be expected to have, a material adverse effect or material adverse change, whether individually or in the aggregate, and whether or not arising in the ordinary course of business, on any of the following: (a) on the condition (financial or otherwise), general affairs, contractual commitments, earnings, management, business, properties, assets, liquidity, liabilities, undertakings, stockholders' equity, results of operations or prospects of our Company or our Group or our associates taken as a whole; (b) the ability of our Company and/or the Selling Shareholders to perform the obligations under or with respect to, or to consummate the transactions contemplated by, this Prospectus, the Master Cornerstone Placement Agreement, each individual cornerstone placement agreement, the Placement Agreement or the Retail Underwriting Agreement; (c) the ability of our Company or any subsidiaries of our Company to conduct its businesses and to own or lease its assets and properties as described in this Prospectus; or (d) our IPO including but not limited to the distribution or the sale of our IPO Shares pursuant to our IPO ("**Material Adverse Effect**");

(iii) our Company withholds any material information from the Joint Managing Underwriters and the Joint Underwriters, which has a Material Adverse Effect;

(iv) there shall have occurred any government requisition or other events whatsoever which has a Material Adverse Effect;

(v) any of the following occurs:

   (a) there has occurred a material adverse change, or development or event in our Company;

   (b) there is any change or any development or event (whether or not permanent) involving any crisis in local, national or international monetary, financial, economic, legal, taxation, industry, political conditions or capital markets (including, without limitation, conditions in the stock markets, the foreign exchange markets, inter-bank markets or money markets or conditions with respect to interest rates in Malaysia, the United States, the United Kingdom, Singapore, Hong Kong or Thailand) or foreign exchange rates or controls, in each case, Malaysia, the United States, the United Kingdom, Singapore, Hong Kong or Thailand, or any occurrence of a combination of any such changes or developments or crises or any deterioration of any such conditions;

(c) there has been an event due to causes which are unpredictable and beyond the reasonable control of the parties to the Retail Underwriting Agreement claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to: (i) war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, national emergency, civil war or commotion, hijacking, terrorism; (ii) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military or usurped power; or (iii) natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning, tempest, explosions, accident, outbreak of disease, epidemics or pandemics (where in the context of the existing COVID-19 pandemic, any worsening of it), the imposition of lockdowns or similar measures to control the spread of any epidemic or other acts of God affecting Malaysia, the United States, the United Kingdom, Singapore, Hong Kong or Thailand;

(d) trading in all shares or securities on Bursa Securities has been suspended or other material form of restriction in general trading in securities is imposed for three consecutive Market Days or more;

(e) the FTSE Bursa Malaysia KLCI ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day, (a) on or after the date of the Retail Underwriting Agreement; and (b) prior to the closing date of the Retail Offering, as the case may be, lower than 85% of the level of Index at the last close of normal trading on the Index on the Market Day immediately prior to the date of the Retail Underwriting Agreement and remains at or below that level for at least three consecutive Market Days;

(f) there is a change or development in Malaysian or Thai taxation materially and adversely affecting our Company, our IPO Shares or the transfers thereof or an announcement of such change or development by the Government or such other competent authority; or

(g) a banking moratorium has been declared by authorities in Malaysia, the United States, the United Kingdom, Singapore, Hong Kong or Thailand, or a material disruption of commercial banking activities or securities settlement or clearance services has occurred in Malaysia, the United States, the United Kingdom, Singapore, Hong Kong or Thailand,

the effect of which, in the case of each of paragraphs (a) to (g) above, following consultation with our Company, would have a Material Adverse Effect, or, in the sole and reasonable opinion of the Joint Managing Underwriters, is likely to prejudice the issue, offer, sale and delivery of our IPO Shares on the terms and in the manner contemplated in this Prospectus, or the completion of our IPO;

(vi) there shall have been announced or carried into force any new law or change in law in any jurisdiction which in the sole and reasonable opinion of the Joint Managing Underwriters may prejudice the completion of our IPO or our Listing or which would have or is reasonably likely to have the effect of making it impracticable to enforce contracts to allot and/or transfer our IPO Shares or making any obligation under the Retail Underwriting Agreement incapable of performance in accordance with its terms;

(vii) the Institutional Offering and/or the Retail Offering is stopped or delayed by our Company or any authority for any reason whatsoever (unless such delay has been approved by the Joint Managing Underwriters);

(viii) the closing date of the Retail Offering does not occur by 19 July 2021 or such other date as may be agreed in writing by the Joint Managing Underwriters;

(ix) our Listing does not take place by 2 August 2021 or such other date as may be agreed in writing by the Joint Managing Underwriters;

(x) any commencement of legal proceedings or action against any member of our Group or any of the directors, which has a Material Adverse Effect or makes it impracticable to market our IPO or to enforce contracts to allot and/or transfer our IPO Shares;

(xi) any one of the Placement Agreement, each lock-up letter, the Master Cornerstone Placement Agreement and each individual cornerstone placement agreement shall have been (i) terminated or rescinded in accordance with its terms, (ii) ceased to have any effect whatsoever, or (iii) varied or supplemented upon terms that would have a Material Adverse Effect;

(xii) any of the resolutions or approvals referred to in Clause 6.1(f) and Clause 6.1(g) of the Retail Underwriting Agreement respectively, is revoked, suspended or ceases to have any effect whatsoever, or is varied or supplemented upon terms that would have a Material Adverse Effect;

(xiii) any material statements contained in this Prospectus has become or been discovered to be untrue, inaccurate or misleading in any respect, or matters have arisen or have been discovered which would, if this Prospectus were to be issued at that time, constitute a material omission therefrom as of the LPD;

(xiv) in the event our Listing is withdrawn or not procured or procured but subject to conditions not acceptable to the Joint Managing Underwriters;

(xv) if the SC or any other relevant authority issues an order pursuant to Malaysian law such as to make it impracticable to market our IPO or enforce contracts to allot and/or transfer our IPO Shares; or

(xvi) any other event in which a Material Adverse Effect has occurred.

4.8.2 Placement

We and the Selling Shareholders expect to enter into the Placement Agreement with the Joint Global Coordinators and Joint Bookrunners in relation to the placement of up to 936,000,000 IPO Shares under the Institutional Offering, subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus. We and the Selling Shareholders will be requested to give various representations, warranties and undertakings, and to indemnify the Joint Global Coordinators and Joint Bookrunners against certain liabilities in connection with our IPO. The terms of the Placement Agreement are subject to negotiations and may include termination events that are different from those under the Retail Underwriting Agreement as set out in Section 4.8.1 of this Prospectus.

4.8.3 Lock-up arrangements

(i) We have agreed that, subject to offerings under our IPO, we shall not without the prior written consent of the Joint Bookrunners, to the extent applicable to us, for a period beginning on the date of the lock-up letter and ending on, and including, the date that is six months after the date of Listing:

(a) directly or indirectly, conditionally or unconditionally, issue, allot, offer, pledge, sell, offer to sell, contract or agree to sell, assign, issue or sell or grant or agree to grant any option, right, warrant or contract to purchase or create security over, purchase any option or contract to sell, hypothecate or create any encumbrance, lend or otherwise transfer or dispose of, or agree to transfer or dispose of, any Shares or any securities convertible into or exercisable or exchangeable for Shares or any securities substantially similar to our Shares, including any Shares held in treasury that are now owned or hereafter acquired by our Company or with respect to which our Company has or hereafter acquires the power of disposition, regardless of whether any such transaction is to be settled by the delivery of Shares or such other securities, in cash or otherwise;

(b) directly or indirectly, conditionally or unconditionally, enter into any swap, hedge or derivative or any other arrangement or agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequence of ownership of our Shares or any securities convertible into or exercisable or exchangeable for Shares or any securities that represent the right to receive or are substantially similar to our Shares, regardless of whether any such swap or transaction is to be settled by the delivery of Shares or such other securities, in cash or otherwise;

(c) deposit any Shares (or any securities convertible into or exchangeable for, or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, our Shares) in any depository receipt facilities; or

(d) directly or indirectly, conditionally or unconditionally, enter into or effect or do or announce any intention to do any transaction with the same economic effect as any transactions described in paragraphs (a) to (c) above or an offering or sale of any Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof).

(ii) The Selling Shareholders have agreed that, subject to offerings under our IPO, they shall not, for a period beginning on the date of the lock-up letter and ending on, and including, the date that is six months (in the case of Inodes) or three months (in the case of each other Selling Shareholder) after the date of Listing, without the prior written consent of the Joint Bookrunners:

(a) directly or indirectly, conditionally or unconditionally, offer, pledge, mortgage, charge, sell, offer to sell, contract or agree to sell, assign, sell or grant or agree to grant any option, right, warrant or contract to purchase or create security over, purchase any option or contract to sell, hypothecate or create any encumbrance, lend or otherwise transfer or dispose of, or agree to transfer or dispose of, any Shares or any securities convertible into or exercisable or exchangeable for Shares or any securities substantially similar to our Shares, whether now owned or acquired by the Selling Shareholder between the date of the lock-up letter and the date of Listing or with respect to which the Selling Shareholder has or between the date of the lock-up letter and the date of Listing acquires the power of disposition (the "**Lock-Up Shares**"), regardless of whether any such transaction is to be settled by the delivery of Lock-Up Shares or such other securities, in cash or otherwise;

(b) directly or indirectly, conditionally or unconditionally, enter into any swap, hedge or derivative or any other arrangement or agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequence of ownership of the Lock-Up Shares or any securities convertible into or exercisable or exchangeable for Lock-Up Shares or any securities that represent the right to receive or are substantially similar to the Lock-Up Shares, regardless of whether any such swap or transaction is to be settled by the delivery of Lock-Up Shares or such other securities, in cash or otherwise;

(c) deposit any Lock-Up Shares (or any securities convertible into or exchangeable for, or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Lock-Up Shares) in any depository receipt facilities; or

(d) directly or indirectly, conditionally or unconditionally, enter into or effect or do or announce any intention to do any transaction with the same economic effect as any transactions described in paragraphs (a) to (c) above or an offering or sale of any Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Lock-Up Shares (or any interest therein or in respect thereof).

The restrictions in Section 4.8.3(ii) above do not apply to a pledge of up to 1.02 billion Shares in favour of RHB Bank (L) Ltd as security in relation to Inodes' borrowing with RHB Bank (L) Ltd.

(iii) Creador II and Creador II L.P. have agreed that, subject to offerings under our IPO, they shall not, for a period beginning on the date of the lock-up letter and ending on, and including, the date that is six months after the date of Listing, without the prior written consent of the Joint Bookrunners:

(a) directly or indirectly, conditionally or unconditionally, offer, pledge, mortgage, charge, sell, offer to sell, contract or agree to sell, assign, sell or grant or agree to grant any option, right, warrant or contract to purchase or create security over, purchase any option or contract to sell, hypothecate or create any encumbrance, lend or otherwise transfer or dispose of, or agree to transfer or dispose of, any shares of Inodes or any securities convertible into or exercisable or exchangeable for shares of Inodes or any securities substantially similar to the shares of Inodes, whether now owned or acquired by Creador II or Creador II L.P. between the date of the lock-up letter and the date of Listing or with respect to which Creador II or Creador II L.P. has or between the date of the lock-up letter and the date of Listing acquires the power of disposition (the "**Lock-Up Inodes Shares**"), regardless of whether any such transaction is to be settled by the delivery of Lock-Up Inodes Shares or such other securities, in cash or otherwise;

(b) directly or indirectly, conditionally or unconditionally, enter into any swap, hedge or derivative or any other arrangement or agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequence of ownership of the Lock-Up Inodes Shares or any securities convertible into or exercisable or exchangeable for Lock-Up Inodes Shares or any securities that represent the right to receive or are substantially similar to the Lock-Up Inodes Shares, regardless of whether any such swap or transaction is to be settled by the delivery of Lock-Up Inodes Shares or such other securities, in cash or otherwise;

(c) deposit any Lock-Up Inodes Shares (or any securities convertible into or exchangeable for, or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Lock-Up Inodes Shares) in any depository receipt facilities; or

(d) directly or indirectly, conditionally or unconditionally, enter into or effect or do or announce any intention to do any transaction with the same economic effect as any transactions described in paragraphs (a) to (c) above or an offering or sale of any shares of Inodes or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Lock-Up Inodes Shares (or any interest therein or in respect thereof).

The restrictions in Section 4.8.3(iii) above do not apply to a pledge of up to 30.5 million shares of Inodes in favour of RHB Bank (L) Ltd as security in relation to Inodes' borrowing with RHB Bank (L) Ltd.

4.9 TRADING AND SETTLEMENT IN SECONDARY MARKET

Upon our Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through the CDS, which is operated by Bursa Depository. This will be effected in accordance with the Rules of Bursa Depository and the provisions of the SICDA. Accordingly, we will not deliver share certificates to subscribers or purchasers of our IPO Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain our Shares in CDS accounts, either directly in their names or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as our shareholders in respect of the number of Shares credited to their respective securities accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

Shares held in CDS accounts may not be withdrawn from the CDS except in the following instances:

(i) to facilitate a share buy-back;

(ii) to facilitate conversion of debt securities;

(iii) to facilitate company restructuring process;

(iv) where a body corporate is removed from the Official List;

(v) to facilitate a rectification of any error; and

(vi) in any other circumstances determined by Bursa Depository from time to time, after consultation with the SC.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares are required to trade under the odd lot board. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the third Market Day following the transaction date.

It is expected that our Shares will commence trading on Bursa Securities approximately nine Market Days after the close of the Institutional Offering. Subscribers of our Shares will not be able to sell or otherwise deal in our Shares (except by way of book-entry transfer to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

5. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that we and to a large extent, our business and operations are subject to legal, regulatory and business risks where we operate. Our operations are also subject to a number of factors, many of which are outside our control. Before making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks and investment considerations set out below.

5.1 RISKS RELATING TO OUR BUSINESS

5.1.1 Our business and the business of our associates are subject to various governmental regulations, laws and orders, including the CRA Act in Malaysia. These laws and regulations are complex and may change from time to time, and a failure to comply with them could subject us or our associates to civil or criminal penalties or other liabilities.

(i) We and our associate in Malaysia are subject to the CRA Act which regulates our and our associate's credit reporting operations in Malaysia. Under the CRA Act, we and our associate in Malaysia are required to obtain an annually renewable licence to carry on our and our associate's credit reporting business.

We derive substantially all of our revenue from our credit reporting business in Malaysia, which is governed by the CRA Act. Pursuant to the CRA Act, we are required to have a CRA Certificate issued by the CRA Registrar to operate our credit reporting business. The CRA Certificate is not perpetual and is subject to renewal annually. Our current CRA Certificates held under our subsidiaries, CTOS Data Systems and Basis, both of which will expire in September 2021. Failure to renew our CRA Certificates in a timely manner or at all would negatively impact our business, financial condition and results of operations.

Under the CRA Act, our subsidiaries, CTOS Data Systems and Basis, are restricted from engaging in any non-credit reporting business unless we obtain the CRA Registrar's prior written approval. As a result, the ability of CTOS Data Systems and Basis to expand into new businesses may be restricted if we cannot obtain the approval from the CRA Registrar. As CTOS Data Systems' and Basis' credit reporting operations are subject to the scrutiny of the CRA Registrar and are subject to annual audit, CTOS Data Systems and Basis are required to obtain the endorsement from the CRA Registrar prior to launching any new digital solution to ensure the digital solution falls under the ambit of "credit reporting business" as defined under the CRA Act. It typically takes about a month from the submission of an application for endorsement to obtain the endorsement from the CRA Registrar. However, digital solutions that are more complex may require more time where concurrence is also required to be sought from other regulators such as the PDP Commissioner, where the digital solution requires personal data that are obtained commercially from data users such as banks, telecommunications companies and insurance companies, or BNM where the digital solution requires data from businesses that are licenced or approved by BNM such as banking, insurance and payment systems. Failure to obtain endorsement from the CRA Registrar or any significant delay in such endorsement could negatively impact our business and growth.

In 2019, the CRA Registrar imposed additional conditions on all CRAs which, among others, limit the foreign shareholding in any CRA to not more than 70.0% and any CRA with foreign shareholding of 51.0% and above is allowed to operate a commercial credit reporting business only. As CTOS Data Systems and Basis are our wholly-owned subsidiaries, CTOS Data Systems and Basis are in full compliance with this foreign ownership equity condition as our Company is a locally incorporated entity.

However, if the foreign ownership equity condition is revised and extended to the ultimate/indirect shareholders of all CRAs and the foreign shareholding in our Company is more than 70.0% following our Listing, we may be required to procure our foreign direct and indirect shareholders to reduce their shareholdings accordingly. In such a scenario, our inability to comply with the revised foreign ownership equity condition or an adverse interpretation of the same may result in a reduced coverage of our credit reporting business or revocation of our CRA Certificates which may adversely affect our business and financial condition.

The credit reporting operations of our associate, Experian, are also governed by the CRA Act and the foregoing requirements under the CRA Act also apply to Experian.

The operations of BOL, our associate in Thailand, are subject to applicable laws and regulations in Thailand and any inability of BOL to comply with such laws and regulations may result in legal, regulatory and contractual liabilities to BOL.

For further details of relevant laws and regulations governing our and our associates' businesses, see Section 7.19 of this Prospectus.

(ii) We and our associate in Malaysia are also required to comply with applicable data protection laws and customer requirements of Malaysia, namely the PDPA, and our associate in Thailand is subject to the Thai PDPA.

While we are primarily subject to data collection and protection provisions under the CRA Act, for similar aspects of our business that are not regulated by the CRA Act, we remain subject to the PDPA in Malaysia. Our associate, Experian, is also subject to the PDPA in Malaysia for the processing of personal data not related to credit information. In addition, from time to time, our and Experian's customers require us and Experian to adhere to certain data collection and protection requirements, which in turn are driven by their own data collection and protection obligations under the PDPA. The operations of our associate, BOL, are subject to the Thai PDPA.

Our or our associates' inability to comply with applicable laws, regulations or customer requirements with regard to personal data protection may result in legal, regulatory or contractual liabilities to us or our associates, which could have a material adverse effect on our or our associates' businesses, financial condition and results of operations.

(iii) We may be subject to increased scrutiny because of our market position in Malaysia or the market position of our associate in Thailand.

Three of the seven CRA Certificates issued under the CRA Act in Malaysia are held by our wholly-owned subsidiaries, CTOS Data Systems and Basis, and our associate, Experian.

In Malaysia, the Competition Act prohibits agreements which have the effect of significantly preventing, restricting or distorting competition in any market for goods or services such as price fixing or agreements on trading conditions, among others. The Competition Act also prohibits an enterprise from engaging, independently or collectively, in conduct which amount to an abuse of dominant position in any market for goods and services such as among others, imposing unfair purchase or selling price or unfair trading condition on any supplier or customer or applying differential conditions to equivalent transactions with other trading parties to the extent that may harm competition in the market the dominate enterprise is participating or in any upstream or downstream market. A market share above 60.0% is generally indicative that an enterprise is dominant.

The Thai TCA regulates anti-competitive conducts in Thailand. Any business operator is prohibited from abusing its dominant position in the market which includes fixing or maintaining the level of purchasing or selling price of a good or service unfairly or imposing an unfair condition on another business operator which is its trading partner in order to, among others, limit services, production, purchase or sale of goods. In addition, any business operator, whether with or without a dominant position, is still prohibited from conducting any action that will reduce the competition in a market. This includes: (i) merging with other entity which may substantially reduce competition in the information service market; (ii) jointly undertake any conduct with other information service providers or business operator in other markets which monopolises, reduces, or restricts competition in the market; or (iii) undertake any conduct resulting in damage on other business operators by unfairly obstructing the business operation of other business operators, by unfairly utilising superior market power or superior bargaining power or by unfairly setting trading conditions that restrict or prevent the business operation of others.

The abovementioned restrictions may impede our ability to realise the anticipated benefits of our acquisitions and strategic investments. Further, depending on the market definition adopted by the regulator, our market share in Malaysia may be deemed a dominant position under the Competition Act, which could subject us to increased regulatory scrutiny. The legality of our business practices is also subject to the evolving market conditions and structure of some of the products and services that we offer, and any adverse interpretations or applications of existing laws and regulations in a manner inconsistent with our business practices may result in us being subject to regulatory scrutiny and consequently harm our reputation, business, financial condition and results of operations. Our management may be required to dedicate significant amount of time and resources in response to such heightened scrutiny in Malaysia, which could be disruptive to our business even if we are ultimately found not to have engaged in any unlawful activities. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

(iv) The various governmental regulations, laws and orders applicable to our business and the business of our associates are subject to change and impacted by legal and regulatory developments that could have an adverse impact on our or our associates' businesses and results of operations.

Our business and the business of our associates are subject to various laws and regulations. Such laws and regulations include those relating to credit reporting; safety, health and supervision; direct and indirect taxes and duties; exchange controls and controls on the transfer of funds; intellectual property protection; labour protection; foreign investment limitations; anti-competition laws; anti-corruption laws; anti-money laundering laws; and privacy and data protection. See Section 7.19 of this Prospectus for a description of the relevant laws and regulations to which our and our associates' businesses are subject to.

These laws and regulations are complex, subject to change and could become more stringent over time. Legal and regulatory developments and non-compliance with laws and regulations such as the following could have a material adverse effect on our or our associates' businesses and results of operations:

(a) amendment, enactment or interpretation of laws and regulations that restrict the access and use of personal information and reduce the availability or effectiveness of our or our associates' digital solutions or the supply of data available to us or our associates;

(b) increased oversight and stricter enforcements of existing regulations, including larger fines and other forms of penalties;

(c) changes in cultural or consumer attitudes in favour of further restrictions on information collection and data sharing, which may lead to regulations that prevent the full use of our or our associates' digital solutions;

(d) failure of data suppliers or customers to comply with laws or regulations, which in turn may subject us or our associates to compliance breaches;

(e) our or our associates' failure to comply with current laws and regulations; or

(f) our or our associates' failure to adapt to changes in the regulatory environment in an efficient, cost-effective manner.

Changes in applicable legislation or regulations that restrict or dictate how we or our associates collect, maintain, combine and disseminate information, or that require us or our associates to provide services to consumers or a segment of consumers without charge, could adversely affect our or our associates' businesses, financial condition or results of operations. For example, on 14 February 2020, as part of an ongoing review of the PDPA in Malaysia, the PDP Commissioner issued a Public Consultation Paper No. 1/2020 which aims to collect feedback on the PDP Commissioner's proposal to update the PDPA in Malaysia. The proposals include, among others, imposing direct obligations on data processors and the appointment of data protection officers, which could have an effect on our or Experian's non-credit reporting products since our or Experian's non-credit reporting products are not governed by the CRA Act and therefore would be within the scope of the PDPA in Malaysia.

In the future, we or our associates may be subject to significant additional expenses to ensure continued compliance with applicable laws and regulations, such as the CRA Act, and to investigate, defend or remedy actual or alleged violations. Failure by us or our associates to comply with applicable laws or regulations could also result in significant liability to us or our associates, including liability to private plaintiffs as a result of individual or class action litigation, or may result in the cessation of our or our associates' operations or portions of our or our associates' operations or impositions of fines and restrictions on our or our associates' ability to carry on or expand our or our associates' operations. Moreover, our or our associates' compliance with privacy laws and regulations and our or our associates' reputation depend in part on our or our associates' customers' adherence to privacy laws and regulations and their use of our or our associates' digital solutions in ways consistent with consumer expectations and regulatory requirements. Certain laws and regulations governing our or our associates' businesses are subject to interpretation by judges and administrative entities, creating substantial uncertainty for our or our associates' businesses. We cannot predict what effect the interpretation of existing or new laws or regulations may have on our or our associates' businesses. Any of the foregoing could have a material adverse effect on our or our associates' businesses, financial condition and results of operations.

5.1.2 We or our associates could lose access to external data sources and providers which could adversely affect our or our associates' ability to provide digital solutions. In addition, if our or our associates' data sources become accessible more easily or affordable, demand for and revenue from some of our or our associates' digital solutions may decrease.

We and our associates depend on continued access to and receipt of data from external sources, including data obtained directly or indirectly from our and our associates' customers, strategic partners and various government and public record repositories such as the CCRIS and the CCM in Malaysia, and the Thai DBD and the Thai LED in Thailand. In particular, our ability to access information from the CCRIS is based on our contractual arrangement with BNM under the Participation Agreement, an agreement which we are highly dependent on. Our or our associates' data sources and providers could stop providing data or provide data in an untimely manner or increase the costs for their data for a variety of reasons, including a perception that our or our associates' systems are insecure as a result of data security incidents, budgetary constraints, a desire to generate additional revenue, competitive reasons or due to changes in regulations. If access to our or our associates' external data sources is reduced, whether partially or significantly, or if such data becomes more expensive to obtain, our or our associates' ability to provide digital solutions could be negatively impacted which would adversely affect our or our associates' reputation, businesses, financial condition and results of operations. There can be no assurance that we or our associates will be able to continue to obtain data from external data sources or providers on acceptable terms or at all or from alternative sources if our or our associates' current sources become unavailable.

Public and commercial sources of free or relatively inexpensive consumer information may become more readily available over time and as a consequence, may reduce demand for some of our or our associates' digital solutions. Governmental agencies may also provide free credit information to consumers. For example, in June 2020, to help alleviate the impact of the COVID-19 pandemic on businesses, BNM began providing free access to its CCRIS database which will continue until the end of 2021. As a condition to us receiving the CCRIS fee waiver, BNM required CTOS Data Systems to reduce the fees charged to our customers for our CTOS Data Systems Reports. Our receipt of the CCRIS fee waiver and reduction of fees charged to our customers resulted in lower revenue and cost of sales related to sales of our CTOS Data Systems Reports but had no impact on our GP and had resulted in an improvement in our GP margin for the FYE 31 December 2020. We expect this trend to continue through the end of 2021.

During the remainder of the period that BNM offers free access to its CCRIS database, there remains a risk that our customers may choose to obtain CCRIS information directly from BNM and reduce or altogether cease their purchases of our CTOS Data Systems Reports, CTOS Basis Reports and other digital solutions. To the extent that our or our associates' customers choose not to obtain reports or digital solutions from us or our associates and instead rely on information obtained at little or no cost from these public and commercial sources, our or our associates' businesses, financial condition and results of operations may be adversely affected.

5.1.3 If we fail to maintain the integrity of our databases, our financial condition, results of operations, brand and reputation could be adversely affected.

The integrity and reliability of our information databases are critical to our financial condition, results of operations, brand and reputation. There can be no assurance that we will be able to identify and update stale or inaccurate information in our information databases in a timely manner or at all. Any staleness or inaccuracy of information in our databases, if not rectified by us in a timely manner, may result in enforcement actions from our regulators. Further, there can be no assurance that the quality and accuracy of data or databases that we acquire or have access to, including data that we obtain from our customers and data and databases of companies that we acquire.

If the quality of our databases decreases or if the integrity of our databases is compromised, we may face customer or third-party claims and customers or the general public may lose confidence in our digital solutions. We have in the past been subject to customer and third-party complaints and lawsuits regarding our data. While such incidents in the past have not adversely affected our financial condition and results of operations, we could continue to be subject to other complaints and lawsuits in the future which could adversely affect our financial condition, results of operations, brand and reputation.

5.1.4 If we are unable to maintain our pioneer status, we may lose our tax incentives.

Our subsidiary, CTOS Data Systems, which accounted for 98.7%, 99.8% and 95.1% of our Group's PATAMI for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, respectively, has been awarded pioneer status incentives under the PIA 1986 for MSC Malaysia Qualifying Activities. CTOS Data Systems is entitled to a tax exemption for the tax relief period granted on its "value added income" which means its statutory income for the basis period for the year of assessment less the inflation adjusted base income. CTOS Data Systems' statutory income is its income derived from MSC Malaysia Qualifying Activities. Inflation adjusted base income is calculated with reference to CTOS Data Systems' average statutory income for up to three years before it was awarded pioneer status incentives adjusted with the rate of inflation for the basis year. As a result, our effective tax rate for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 of 6.7%, 5.4% and 5.8%, respectively, has been significantly lower than the statutory tax rate of 24.0% in Malaysia. The tax relief period under CTOS Data Systems' MSC Pioneer Certificate is from 9 November 2016 to 8 November 2021. However, pursuant to the Grandfathering and Transitional Guidelines which became effective on 1 January 2019, such tax relief period will be until 30 June 2021. CTOS Data Systems requires approval from MDEC to enjoy these tax incentives throughout the Transitional Period.

CTOS Data Systems had submitted the application for MDEC's approval for the continuation of these tax incentives throughout the Transitional Period on 22 June 2021. While there is no assurance that we will be able to obtain MDEC's approval by 30 June 2021 for the continuation of these tax incentives throughout the Transitional Period, should we obtain such approval after 1 July 2021, the tax relief period will continue from 1 July 2021 until 8 November 2021 even if the tax relief period has expired on 30 June 2021. We also plan to seek MDEC's renewal of CTOS Data Systems' pioneer status in the third quarter of 2021 for an extended relief period of five years until November 2026.

The continuation of CTOS Data Systems' pioneer status throughout the Transitional Period shall be subject to the approval of MDEC and compliance with the new conditions under the Grandfathering and Transitional Guidelines, and the renewal of CTOS Data Systems' MSC Pioneer Certificate for the Renewed Term shall also be subject to the satisfaction of MDEC of CTOS Data Systems' full compliance with: (i) CTOS Data Systems' conditions of grant under the subsisting MSC Pioneer Certificate; and (ii) CTOS Data Systems' continued compliance of the new conditions under the Grandfathering and Transitional Guidelines.

We believe that CTOS Data Systems' pioneer status will be renewed in 2021. If the pioneer status of CTOS Data Systems is revoked or not renewed, CTOS Data Systems' statutory income would be subject to the prevailing statutory tax rate of 24.0%, resulting in an increase in the effective tax rate of our Group for the FYE 31 December 2021 (which may be higher than the prevailing statutory tax rate due to non-tax deductible items) compared to our effective tax rate of 5.8% for the FYE 31 December 2020.

CTOS Data Systems may also lose its MSC Malaysia Status if CTOS Data Systems is unable to continue to comply with the requirements prescribed under the approval by MDEC. See Annexure A of this Prospectus for further details. In addition, CTOS Data Systems' pioneer status is conditional upon CTOS Data Systems' MSC Malaysia Status remaining valid. The loss of CTOS Data Systems' MSC Malaysia Status would result in the loss of CTOS Data Systems' pioneer status (including the related tax incentives described above), which in turn would adversely impact our PATAMI.

5.1.5 If our third-party technology partners, suppliers and vendors do not deliver or perform as expected or if our relationships with them are terminated or otherwise change, it could have a material adverse effect on our business, financial condition and results of operations.

We rely on third-party technology partners, suppliers and vendors that have proprietary technologies and extensive knowledge of our systems, databases and digital solutions, including software developers, software and hardware vendors, network and system providers, data processors and providers of credit score algorithms. Our operations could be disrupted and our reputation, business, financial condition and results of operations could be materially and adversely affected if we do not successfully manage or maintain relationships with these third parties, if they do not perform or are unable to perform to agreed-upon service levels, or if they are unwilling to make their services available to us at reasonable prices. While the support and services we receive from our third-party technology partners, suppliers and vendors have not been impacted by the COVID-19 pandemic, there can be no assurance that our third-party technology partners, suppliers and vendors will be able to continue to meet such expectations due to a number of factors, including those attributable to the COVID-19 pandemic.

If a third-party technology partner, supplier or vendor experiences a cybersecurity breach affecting data related services provided to us resulting in negative publicity, we could experience reputational damage or incur liability. As at the LPD, we are not aware of any such past incidences of cybersecurity breach or negative publicity. In addition, while there are backup systems in many of our operating facilities, we may experience service delays, connectivity issues or an extended outage of network services supplied by these technology partners, suppliers or vendors that could impair our ability to deliver our digital solutions and negatively impact customer experience, which could have a material adverse effect on our business, financial condition and results of operations. Although alternative technology partners, suppliers or vendors may be available to us, we may incur additional expenses and research and development efforts to deploy any alternative providers. The loss of these third-party technology partners, suppliers or vendors could negatively affect our ability to maintain and improve our systems if we are unable to replace them in a timely manner, which could have a material adverse effect on our business, financial condition and results of operations.

5.1.6 Our brands and reputation are key assets and a competitive strength, and our business may be affected by how we are perceived in the marketplace.

Our brand and reputation are key assets of our business and a competitive strength. For further details, see Annexure B and Section 7.2 of this Prospectus. We may lose this competitive strength if a competitor is able to achieve a level of brand awareness comparable to ours. Our ability to attract and retain customers is dependent upon external perceptions of the quality of our data, our digital solutions, our technology resources and the quality of our customer-facing digital platform, our data security and our business practices. For further details, see Section 5.1.3 of this Prospectus. While there has not been any past or existing incidence of negative publicity that has materially affected our business, financial condition and results of operations, any negative perception or publicity in the future regarding our brand and reputation could adversely affect our brand and our reputation with our customers and the public, which could in turn make it more difficult for us to retain and attract customers and materially and adversely affect our business, financial condition and results of operations.

5.1.7 Unfavourable global economic conditions could have a material adverse effect on our or our associates' businesses, financial condition and results of operations.

Our business and our associates' businesses may be impacted by general economic conditions and trends in Malaysia, Thailand or elsewhere abroad. While we believe that the need for credit information and business insights and analytics is heightened during periods of economic volatility or weakness, we and our associates could nevertheless be adversely impacted by general economic conditions to the extent that they reduce some of our and our associates' customers' ability or willingness to pay for our and our associates' digital solutions.

Our Commercial customers have been the largest contributor to our Group's revenue for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020. Further, among our Commercial customers, our revenues are primarily subscription-based and our single largest category of customers is SMEs whose businesses may be more susceptible to unfavourable economic conditions compared to our Key Accounts customers who are generally larger companies. 56.7% of our total revenue for the FYE 31 December 2020 was from our Commercial customers, and 92.4% of our revenue from our Commercial customers for the FYE 31 December 2020 was derived from SME customers.

During periods of economic slowdown, some of our or our associates' customers may be less able or willing to pay for our or our associates' digital solutions, we or our associates may have difficulty collecting payment from some customers on a timely basis or at all, and we or our associates may see higher rates of bankruptcies, restructurings, dissolutions and similar events among our or our associates' customer base. Changes in the economy have in the past resulted in, and may in the future result in, fluctuations in volumes, pricing and operating margins for our or our associates' digital solutions. These types of disruptions could lead to a decline in customer demand for our or our associates' digital solutions and could have a material adverse effect on our or our associates' businesses, financial condition and results of operations.

5.1.8 An outbreak of disease, global or localised health pandemic or epidemic or a similar public health threat, or fear of or response measures to such an event, could have a material adverse effect on our business, financial condition and results operations.

A significant outbreak of contagious diseases in the human population could adversely affect the economies and financial markets in Malaysia and elsewhere, resulting in an economic downturn that could have a material adverse effect on demand for our digital solutions and access to our data sources.

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

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

While we have seen strong demand for our Comprehensive Portfolio Review and CTOS Portfolio Analytics and Insights solutions, particularly among our Key Accounts customers who are bank and non-bank financial institutions once moratoriums were lifted or relaxed, the duration and extent of the future impact of the COVID-19 pandemic on our financial condition and results of operations will depend on highly uncertain future developments, including the duration and spread of the global pandemic, future Government actions to contain the spread of the virus, the efficacy and social acceptance of newly approved vaccines, the pace of economic and social re-openings, a potential resurgence of the pandemic once measures to slow the spread of the virus have been lifted and impacts to the global markets. Outbreaks of contagious diseases and other adverse public health threats in the future, as well as market disrupting response measures to such threats, could impact demand for our digital solutions and could have a material adverse effect on our business, financial condition and results of operations.

For further details, see Section 7.24 of this Prospectus.

5.1.9 We have completed acquisitions and investments in the past and may pursue similar transactions in the future. Through our strategic investments, we hold minority interests in entities that do not afford us control over the management and growth of the underlying businesses. These strategic investments are subject to risks affecting the underlying businesses and we are generally not able to manage the underlying businesses' exposures to these risks. Adverse developments affecting these underlying businesses could result in a decrease in the value of our strategic investments.

A part of our growth strategy has been and continues to be to establish strategic partnerships and to grow via acquisitions and investments. We cannot provide assurance that our investments will be successful or that our relationships with our associates will remain on satisfactory terms. Any deterioration in relationships with our associates or their businesses could negatively impact our business, financial condition and results of operations, and may also require significant management time.

For example, we undertook the Distribution to exclude CIBI from our Group after we, in consultation with our shareholders, determined that CIBI requires further investments in terms of capital and time to better position itself to capture growth opportunities in the Philippines, and taking into account the impact of the COVID-19 pandemic on CIBI's business.

In addition, in July 2019, we acquired a 26.0% equity stake in Experian (with whom we compete) and in October 2020 we acquired a 20.0% equity stake in BOL, neither of whom we have control over. Our rights as a minority shareholder in Experian are limited to our board nominee and limited information rights. BOL is a publicly listed company and our rights are limited to our board nominee and rights as a public shareholder. As a result, our visibility into the operations of our associates is significantly limited. Our interests may not be aligned with those of the controlling shareholders of our associates, and those controlling shareholders may direct our associates in ways that may not be in our interest as a minority shareholder. For example, in June 2020, we filed an oppression suit against Experian in the Kuala Lumpur High Court for reliefs arising from oppressive conduct by the majority shareholders of Experian. See Section 14.7 of this Prospectus for further details of this suit. See also Sections 5.1.1, 5.1.12, 5.1.22 and 5.2.1 of this Prospectus for further risks relating to our associate BOL and Sections 5.1.1, 5.1.12 and 5.2.1 of this Prospectus for further risks relating to our associate Experian.

Acquisitions may not be completed on favourable terms and acquired digital solutions, assets, data or businesses may not be successfully integrated into our operations. Any acquisitions or investments will include risks commonly encountered in acquisitions of businesses or investments, including:

(i) failing to achieve the financial and strategic goals for the acquired business;

(ii) paying more than fair market value for an acquired business or assets;

(iii) failing to integrate the operations and personnel of the acquired businesses in an efficient and timely manner;

(iv) failing to close a transaction, including acquisitions due to conditions such as financing or regulatory approvals not being satisfied;

(v) disrupting our ongoing businesses;

(vi) distracting management focus from our existing businesses;

(vii) acquiring unanticipated liabilities;

(viii) failing to retain key personnel;

(ix) incurring the expense of an impairment of assets due to the failure to realise expected benefits;

(x) damaging relationships with employees, customers or strategic partners;

(xi) diluting the share value of existing shareholders;

(xii) incurring additional debt or reducing available cash to service our existing debt; and

(xiii) increased exposure to business, social, political, economic, legal and regulatory risks in new markets outside of Malaysia where we expand our business or make investments.

Any divestitures will be accompanied by the risks commonly encountered in the sale of businesses, including:

(i) disrupting our ongoing businesses;

(ii) reducing our revenues;

(iii) failing to retain key personnel;

(iv) distracting management focus from our existing businesses;

(v) indemnification claims for breaches of representations and warranties in sale agreements; and

(vi) damaging relationships with employees and customers as a result of transferring a business to new owners;

These risks may have an adverse impact on our business, financial condition or results of operations, particularly if they occur in the context of a significant acquisition or divestiture. Also, if we continue to have any RM borrowing, any acquisition of non-Malaysian assets or entities of more than RM50.0 million for a calendar year by us via the proceeds from our Public Issue will be subject to BNM's approval if we are unable to source any foreign currency funds for such foreign acquisition.

In the future, we may not be able to acquire businesses that we target due to a variety of factors such as competition from companies that are better positioned to undertake the acquisition. Our inability to make such strategic acquisitions could restrict our ability to expand our business and limit our ability to generate future revenue growth. Our inability to make acquisitions, investments and divestitures on our preferred terms and timeline or at all could have a material impact on our business, financial condition and results of operations.

5.1.10 There may be consolidation in our customers' markets which may adversely affect our business, financial condition and results of operations.

If our customers merge with, or are acquired by, our other customers or by other entities that are not our customers, they may use fewer of our services in the future and there may be a smaller pool of customers for us to expand our business. As a result, our revenue may be adversely impacted. Industry consolidation could reduce the number of customers to whom we can sell licences and subscriptions for our digital solutions or result in customers with stronger bargaining power, thus may affect the prices and terms of their contracts with us. In addition, mergers, acquisitions and consolidations could result in our existing customers no longer requiring our digital solutions. For example, if they exit the Malaysian market or switch to one of our competitors, as a consequence, we would generate less revenue than we expect. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

5.1.11 If our Key Accounts and Commercial customers terminate or choose not to continue using our digital solutions, our business, financial condition and results of operations may be adversely affected.

While we have long-standing relationships with a number of our Key Accounts and Commercial customers, the terms of their respective contracts allow these customers to terminate their relationship with us with notice or materially reduce the amount of business they conduct with us. Our Key Accounts customers may terminate their licences of our digital solutions upon advance written notice (typically ranging from one month to three months), and this provides these customers with the opportunity to renegotiate their contracts with us or to award more business to our competitors. Similarly, our Commercial customers may terminate their CTOS Credit Manager subscriptions upon advance written notice (typically 30 days). If our customers terminate or choose not to continue using our digital solutions, our business, financial condition and results of operations may be adversely affected.

Market competition, business requirements, financial condition and consolidation through mergers or acquisitions, could adversely affect our ability to continue or expand our relationships with our customers. There can be no assurance that we will be able to retain or renew existing agreements, maintain relationships with any of our customers on acceptable terms or at all, or collect amounts owed to us from insolvent customers. The loss of one or more of our major customers could adversely affect our business, financial condition and results of operations.

5.1.12 The outcome of litigation, inquiries, investigations, examinations or other legal proceedings which we are involved in, which we or our associates may become involved or which our or our associates' customers or competitors are involved in could subject us or our associates to significant monetary damages or restrictions on our or our associates' ability to do business.

Legal proceedings arise frequently as part of the normal course of our industry and include individual consumer cases, class action lawsuits and inquiries, investigations, examinations, regulatory proceedings or other actions brought by governmental authorities or by consumers. The scope and outcome of these proceedings are often difficult to assess or quantify. Plaintiffs in lawsuits may seek recovery of large amounts and the cost to defend such litigation may be significant. There may also be adverse publicity and uncertainty associated with complaints, investigations, litigation and orders (whether pertaining to us, our customers or our competitors) that could decrease customer acceptance of our services or result in material discovery expenses. In addition, a court-ordered injunction or an administrative cease-and-desist order or settlement may require modification of business practices or may prohibit conduct that would otherwise be legal and in which competitors may engage. As at the LPD, there is an ongoing defamation suit which has been filed against us in relation to alleged misreporting and misrepresentation in respect of credit information pertaining to searched subjects, an appeal filed against us in relation to a defamation suit regarding alleged misreporting and misrepresentation in respect of credit information pertaining to searched subjects which the court had ruled in our favour and one ongoing oppression suit we filed in June 2020 against Experian in the Kuala Lumpur High Court for reliefs arising from oppressive conduct by the majority shareholders of Experian.

The relevant statutes to which we or our associate in Malaysia are subject, including credit reporting and financial privacy requirements under the CRA Act and the PDPA in Malaysia*,* provide for administrative actions and criminal penalties. CTOS Data Systems had in 2016, 2017 and 2019 received warning letters from the CRA Registrar pertaining to (a) non-compliance with Section 24 of the CRA Act with regards to disclosure of credit report without the data subject's consent; and (b) non-compliance with Section 29 of the CRA Act with regards to disclosure of inaccurate credit information. Any contravention of Section 24 or Section 29 of the CRA Act by a credit reporting agency shall, upon conviction, be liable to a fine not exceeding RM500,000 or imprisonment for a period of not more than two years, or both. However, we have taken immediate rectification steps and other long-term improvement plans have also been implemented, including but not limited to, (a) improving our consumer redress mechanism and conducting periodic training for front-liners dealing with consumers to ensure the effectiveness of our customer service; (b) putting in place an enhanced consent mechanism which requires consent to be given by the data subject directly; (c) widening the scope of our audit on trade reference data to address high risk clientele segments; and (d) issuing periodic notices to our subscribers to raise awareness of the regulatory requirements which should be observed while using our services. Such steps were taken and implemented to avoid repeated incidents and no further actions were taken by the CRA Registrar with regard to the warning letters. As at the LPD, we have not been subject to any penalties for the non-compliances mentioned as set out in the warning letters and no administrative action has been imposed on us by the CRA Registrar or the PDP Commissioner. BOL, our associate in Thailand, is subject to the Thai PDPA, which provides for certain penalties and sanctions in the event of any non-compliance.

While we do not believe that the outcome of any currently pending legal proceeding as described above, even if they turn out to be unfavourable to us, will have a material adverse effect on our financial position as the contemplated maximum exposure is not expected to be material for each legal proceeding, there can be no assurance that there will not be any legal proceedings or actions by relevant authorities against us or our associates in the future which could be inherently uncertain and adverse outcomes could result in significant monetary damages, penalties or injunctive relief against us or our associates.

5.1.13 We may be unable to protect our intellectual property adequately or cost-effectively, which may cause us to lose market share. We also rely on other forms of unpatented intellectual property that may be difficult to protect.

Our success depends, in part, on our ability to protect our brand and preserve the proprietary aspects of our digital solutions such as our proprietary software and data. We have registered or are in the process of registering trademarks for our material brands and digital solutions. For further details, see Annexure B of this Prospectus. If we are unable to protect our intellectual property, including trademarks, and other unpatented intellectual property, or fail to register certain trademarks which are currently pending approval, our competitors could use our intellectual property to market and/or deliver similar solutions which may confuse our customers, negatively affect customers' perception of our brand and decrease the demand for our digital solutions. We rely on copyright, trademark and other intellectual property laws, as well as contractual restrictions, such as non-disclosure agreements, to protect and control access to our proprietary intellectual property. However, these measures afford only limited protection, particularly in regard to protection of databases, and may prove to be inadequate. We may be unable to prevent third parties from using our proprietary assets without our authorisation or from breaching any contractual restrictions with us. Enforcing our rights could be costly, time-consuming, distracting and harmful to significant business relationships. Any significant failure or inability to adequately protect and control our proprietary assets may reduce our ability to compete and have a material adverse effect on our business, financial condition and results of operations.

5.1.14 Our insurance coverage may not adequately protect us against liabilities that arise in the future.

While we maintain insurance policies with a total insured amount of up to RM29.3 million to cover a variety of risks that are relevant to our business needs and operations, there can be no assurance that any insurance proceeds we receive would be sufficient to cover expenses relating to insured losses or liabilities, for example in the case of a catastrophic data breach.

While there has not been any incidence of material losses, damages or liabilities incurred by our Group due to insufficient insurance coverage in the past, if we suffer any uninsured losses, damages or liabilities in the course of our operations in the future, we may not have sufficient funds to cover any such losses, damages or liabilities. To the extent that we suffer losses or damages as a result of a risk for which we do not maintain insurance or which is not covered by our insurance policies or where the cost of the losses or damages exceeds our insurance coverage, we will have to bear such costs which could have a material adverse effect on our business, financial condition, and results of operations.

5.1.15 We depend on our key senior management and skilled employees, and we may be unable to attract and retain such key senior management and skilled employees that we need to support our business.

We believe that our success is dependent upon the continued service of our key senior management, namely, our Group Chief Executive Officer, Dennis Colin Martin, the Chief Executive Officer of CTOS Data Systems, Chin Kuan Weng, our Group Chief Financial Officer, Chen Thai Foong, the Chief Operating Officer of CTOS Data Systems, Tracy Gan Jo Lin, our Group Senior Head of Risk and Business Compliance, Lim Sue Ling and our Group General Manager of IT, Benjamin Lau Chi Meng, who have valuable experience and in-depth understanding of our business and customers. There can be no assurance that we will be able to retain our key senior management in the future or find qualified replacements in a timely manner. While our key senior management are supported by direct reports, who receive training and are given opportunities to carry out the responsibilities of key senior management where required, the loss of one or more of our key senior management may adversely affect the execution and implementation of our business strategies, which could have a material adverse effect on our business, financial condition and results of operations.

Our success also depends on our ability to attract and retain skilled employees such as experienced sales, research and development, analytics, marketing and technical support personnel. The complexity of our services requires trained software engineers, customer service and technical support personnel. We may not be able to hire and retain such qualified skilled personnel at compensation levels consistent with our compensation structure. Some of our competitors may be able to offer more attractive terms of employment. In addition, we invest resources in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expense replacing employees and our ability to provide quality services could diminish, resulting in a material adverse effect on our business, financial condition and results of operations.

5.1.16 We may not be able to successfully implement our strategies to grow our business and this may limit our growth prospects.

The execution of our business strategies is critical in order for our overall business to grow our market share and increase our profitability. Our success in implementing our business strategies may be adversely affected by factors within and outside of our control, including:

(i) our ability to grow our relationships with current and new customers and to provide higher value solutions to them;

(ii) changes in demand for our digital solutions for any reason, including changes in laws, regulations or perceptions of outsourcing operations such as "know-your-customer" processes, client onboarding and decisioning to service providers;

(iii) an increase in competition;

(iv) inability to continually improve or adapt to rapid technology changes;

(v) inability to develop further financial, operational and management controls, reporting systems and procedures to continue our growth;

(vi) adverse changes to our cost structure and cost overruns;

(vii) existing or potential customers' decisions to move services we provide in-house or rely on free sources;

(viii) inability to attract skilled employees or shortage of skilled employees;

(ix) operational, financial and legal challenges; and

(x) negative press and reputational risks that adversely affect our brand, including similar risks to our industry.

Our failure to successfully execute our business strategies could also adversely affect our future operating performance and cash flow, which in turn could restrict our ability to innovate new digital solutions, make our operations more efficient and grow our business. There can be no assurance that we will be able to successfully implement our planned business strategies and failure to do so could have a material adverse effect on our business, financial condition and results of operations.

5.1.17 We or our associates may be involved in tax audits or investigations from time to time which may result in the assessment of additional tax liabilities.

Tax authorities may disagree with positions and conclusions regarding tax positions taken by us, our subsidiaries or our associates, or may apply existing tax laws or rules in an unforeseen manner, resulting in unanticipated costs, taxes or non-realisation of expected benefits from the original tax position or tax conclusion. Contesting such an assessment may be lengthy and costly and if a challenge of such an assessment is unsuccessful, the implications could result in an increase in the applicable anticipated effective tax rate, where applicable, or result in other liabilities.

From time to time, we or our associates may be subject to routine or special tax and audit processes and investigations by regulatory bodies in relation to taxes in connection with our or our associates' operations. Furthermore, such audits and investigations may require the production of certain documents which may no longer be available because of the length of time since such documents were executed or prepared. Any adverse finding resulting from such audits and investigations may lead to administrative proceedings and the assessment of additional tax liabilities or result in fines or penalties.

A part of our growth strategy has been and continues to be to establish strategic partnerships and to grow via acquisitions and investments. Strategic investments or acquisitions inherently involve the risk of incurring liability for activities of the acquired business before our acquisition, including tax liabilities that arose prior to our acquisition or investment. In addition, we may continue to be exposed to the risk of tax non-compliance for a period of time after our acquisition or investment as: (i) we integrate the acquired business and review the acquired business; and (ii) where necessary, improve, the acquired business' reporting and compliance functions. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

5.1.18 Our debt service requirements and restrictive covenants limit our ability to borrow more money, to make distributions to our shareholders and to engage in other activities.

Our existing credit facilities granted by RHB Bank contain a number of covenants that limit our ability and/or our subsidiaries' ability to, among others, sell, transfer or dispose of assets or receivables, pay dividends or make distributions, incur additional indebtedness, create liens, make investments, loans and acquisitions, engage in transactions with affiliates, merge or consolidate with other companies or sell substantially all of our assets. In particular, under the terms of our Facilities Agreement 1 and Facility Agreement 2 and a supplemental letter dated 20 April 2021 from RHB Bank, we are restricted from declaring or making any payment and/or cash distribution, whether capital or income in nature, to our shareholders, except for the following circumstances:

(i) dividend payments with the condition that the portion of such payment or cash distribution received by Inodes is used by Inodes to repay principal and interest in relation to Inodes' borrowing with RHB Bank (L) Ltd. The borrowing with RHB Bank (L) Ltd was used by Inodes to refinance its term loan facilities ("**Inodes Facilities**") which were drawn down for, among others, the acquisition of additional Shares in 2018, increasing its equity interest in our Company from 75.0% to 80.0%. As at the LPD, the Inodes Facilities have not been fully repaid and Inodes intends to repay all the outstanding amount in relation to the Inodes Facilities with the proceeds from the Offer for Sale; and

(ii) the dividend payments mentioned in paragraph (i) above are made when Inodes holds 80.0% interest in our Company.

The abovementioned facilities are guaranteed by us and certain of our subsidiaries and secured by all of our assets and the shares of our subsidiaries and associates. We intend to repay all the outstanding amount under the abovementioned facilities with the proceeds from our Public Issue. For the avoidance of doubt, even if the Inodes Facilities remain outstanding after our Listing, the restriction from us declaring or making any payment and/or cash distribution, whether capital or income in nature, to our shareholders does not apply upon our Listing if we repay all the outstanding amount under the facilities with the proceeds from our Public Issue. For further details, see Section 4.6 of this Prospectus. If all the outstanding amount under the abovementioned facilities are not fully repaid, the aforementioned restrictions will continue to apply.

The terms of our credit facilities may restrict our current and future operations and could adversely affect our ability to finance our future operations or capital needs. In addition, complying with covenants in our credit facilities may make it more difficult for us to successfully execute our business strategy and compete against companies who are not subject to such restrictions. Additionally, our obligations to repay principal and interest on our indebtedness may make us vulnerable to economic or market downturns. If we are unable to comply with our payment requirements, our lenders may accelerate our obligations under our credit facilities and foreclose upon the collateral, or we may be forced to sell assets, restructure our indebtedness or seek additional equity capital, which would dilute our shareholders' interests. Failure to comply with any covenant could result in an event of default under the agreement and the lenders (or any subsequent lender) could make the entire debt immediately due and payable. If this occurs, we might not be able to repay our debt or borrow sufficient funds to refinance it. Even if new financing is available, it may not be on terms that are acceptable to us. These events could cause an adverse impact on our financial conditions and results of operations or cause us to cease operations.

5.1.19 We may need additional capital and failure to raise additional capital on favourable terms, or at all, could limit our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges.

We may require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our resources are insufficient to satisfy our cash requirements, we may seek to issue or sell additional equity or debt securities or obtain another credit facility. The issuance or sale of additional equity securities could result in dilution to our shareholders. The incurrence of indebtedness whether though credit facilities or issuance of debt securities would result in increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

(i) investors' perception of, and demand for, securities of peer companies;

(ii) conditions of Malaysia and other capital markets in which we may seek to raise funds;

(iii) our financial condition and results of operations in the future;

(iv) government regulation of foreign investment; and

(v) economic, political and other conditions.

We cannot guarantee that we will be able to raise additional capital on favourable terms, or at all, and failure to do so may have a material adverse effect on our business, financial condition and results of operations.

5.1.20 We are controlled by our substantial shareholders whose interests may not always align with our other shareholders.

Immediately after the completion of our IPO, our substantial shareholders will own in aggregate 49.0% of our enlarged issued Shares. Accordingly, our substantial shareholders may be able to exercise significant influence over the outcome of matters requiring the vote of our shareholders, including voting on appointments of directors and consequently, may be able to influence the composition of our Board. The interests of our substantial shareholders may differ from the interests of our other shareholders. For example, (i) our substantial shareholders, Inodes, Creador II, Chung Tze Keong and Chung Tze Wen have interests, direct and indirect, in CIBI, a credit information bureau in the Philippines which also provides business information reporting services and data analytics services such as pre-employment checks, although our Board is of the view that such interests do not give rise to any existing or potential conflict of interest situation, and (ii) one of our substantial shareholders has an interest in one of our suppliers. For further details, see Section 11.1 of this Prospectus.

Our substantial shareholders could also have significant influence in determining the outcome of any corporate transaction or other matters requiring our shareholders' approval, including mergers, consolidations and the sale of all or substantially all of our assets and other significant corporate actions to the extent that they are not required to abstain from voting (and procuring persons connected to them to abstain from voting) in respect of such transactions and corporate actions. Our substantial shareholders are also able to prevent or cause a change in control in our Company.

5.1.21 We are subject to social and political environments and other inherent risks of the markets in which our operations and investments are located.

We have business activities and investments in Malaysia and Thailand. Our businesses and investments are and will continue to be subject to the social and political environments and other inherent risks generally associated with the markets in which they are located, including, but limited to, changes in political leaderships, risks of war, civil unrest and terrorism, risks of natural disasters and outbreaks of contagious diseases, increase in trade barriers and tariffs exchange rate fluctuations, inflation or increase in interest rates, changes in local labour conditions, power and other utility shutdowns or shortages, expropriation and nationalisation of our assets in a particular jurisdiction and restrictions on repatriation of dividends or profits or other capital transfers or movements. Any changes in the political, social and other conditions in the markets where we operate and/or have investments could adversely affect our business, financial condition and results of operations.

5.1.22 We are subject to risks relating to foreign currency exchange rate fluctuations.

Our share of profits or loss from our associate, BOL, is denominated in THB and consequently, our profit margins will also be affected by exchange rate fluctuations of THB against RM. The impact of future exchange rate fluctuations of these currencies on our results cannot be accurately predicted.

In addition, our financial statements are presented in RM and our reporting currency is in RM. Exchange rate gains or losses will arise when the assets and liabilities in foreign currencies are translated or exchanged into RM for financial reporting or repatriation purposes. If the foreign currencies depreciate against the RM, this may materially and adversely affect our reported financial results and dividends, if any, respectively.

As at the date of this Prospectus, we have not entered into any hedging transactions to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. As a result, significant fluctuations in exchange rates may have a material adverse effect on our financial condition and results of operations.

5.2 RISKS RELATING TO OUR INDUSTRY

5.2.1 Cybersecurity incidents could result in a material loss of business, regulatory enforcement, substantial legal liability and/or significant harm to our reputation.

We operate in an environment of significant risk of cybersecurity incidents. Due to the sensitive nature of the information we and/or our data providers collect, store and transmit, it is common for efforts to occur (coordinated or otherwise) by unauthorised persons to attempt to obtain access to our systems or data, or to inhibit our ability to deliver our digital solutions to our customers. Our data providers are also subject to similar risks of cybersecurity incidents. Cybersecurity attacks can originate from a wide variety of sources and may seek to exploit highly obscure security vulnerabilities or employ sophisticated attack methods. Such attacks may seek to gain access to our systems either directly or using equipment or security passwords belonging to employees, customers, third-party service providers or other users.

We have experienced and expect to continue to experience numerous attempts to access our computer systems, software, networks, data and other technology assets from time to time. We cannot be certain that our systems and third-party systems that have access to our systems will not be compromised or disrupted in the future. Any preventive actions that we take to address cybersecurity risks may be insufficient to repel or mitigate the effects of cyberattacks as it may not always be possible to anticipate, detect or recognise threats to our systems, or to implement effective preventive measures against all cybersecurity risks.

Cyberattacks could result in, among other things, unauthorised third parties obtaining access to confidential information, the manipulation, destruction or dissemination of data, and the disruption, sabotage or degradation of our systems. Cybersecurity incidents could disrupt our operations, may not be covered by sufficient insurance, subject us to substantial regulatory and legal proceedings and potential liability and fines, result in a material loss of business and/or significantly harm our reputation.

A breach of our computer systems, software, networks or other technology assets could occur and persist for an extended period of time before being detected or remedied. We may not be able to immediately address the consequences of a cybersecurity incident after detection, and it may take a significant amount of time before an investigation can be completed and the cyberattack is fully understood. During any ongoing investigation, we may not necessarily know the extent of the harm or how best to remediate it. There can be no assurance that errors or oversights will not be repeated or compounded before they are discovered and remediated, any or all of which could further increase the costs and consequences of a cybersecurity incident. If we are unable to protect our computer systems, software, networks, data and other technology assets it could have a material adverse effect on our business, financial condition and results of operations.

Our associates operate similar businesses and also are subject to the foregoing risks. In addition, we and our associates, Experian and BOL, have obligations under the CRA Act, the PDPA in Malaysia and the Thai PDPA to protect credit information and personal data from any loss, misuse, modification, unauthorised or accidental access or disclosure, alteration or destruction of such information. While we have implemented cybersecurity measures to protect credit information and/or personal data in accordance to the law, any failure by us or our associates to comply with such data protection requirements as a result of cybersecurity attacks, data breaches and general unauthorised accesses to computers, networks and data may subject us or our associates to penalties, regulatory scrutiny and in the worst case licence suspension in terms of our or our associate's business in Malaysia and additional liability, and lead to the incurrence of additional significant costs to maintain or regain compliance. Any of the foregoing could have a material adverse effect on our or our associates' businesses, financial condition and results of operations.

5.2.2 Our business, financial condition and results of operations could be adversely affected if we fail to respond to changes in technology or if we are unable to develop successful new digital solutions in a timely manner.

Our future success will depend, in part, upon our ability to recognise and apply new and competitive technological innovations; use leading third-party technologies and contractors effectively, respond to changing customer needs and regulatory requirements; and transition customers and data sources successfully to new interfaces or other technologies. Continuous improvements are required for our computer hardware, network operating systems, programming tools, programming languages, operating systems, data matching, data filtering and other database technologies. If we do not recognise the importance of a particular new technology to our business in a timely manner or are not committed to investing in and developing such new technology, applying these technologies to our business, and adequately training our personnel for the new technologies, our current digital solutions and services may be less attractive to existing and potential customers, and we may lose market share to competitors who have recognised these trends and invested in such technology. Additionally, our failure to implement important updates or the loss of key third-party technology consultants could affect our ability to successfully meet the timeline for us to generate cost savings resulting from our investments in improved technology. Failure to achieve any of these objectives would impede our ability to deliver strong financial results and adversely impact our business, financial condition and results of operations.

As technologies continue to evolve, our success will also depend on our ability to meet customers' demand for increasingly sophisticated solutions and bring new digital solutions to market in a timely manner. The process of developing new solutions is complex and uncertain, and we must commit significant resources to this effort before knowing whether the market will accept new solutions. We may not successfully execute on our new solutions because of challenges in planning or timing, technical hurdles, changes in regulation or a lack of appropriate resources. Even if we successfully develop new digital solutions, we may not achieve solution-market fit and our existing customers or new markets might not adopt our new digital solutions. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

5.2.3 If we experience system failures or personnel disruptions for which our business continuity plan is insufficiently prepared for, the delivery of our services to our customers could be delayed or interrupted, which could harm our business operations and reputation and result in the loss of our revenues or customers.

Our ability to provide reliable service largely depends on our ability to maintain the efficient and uninterrupted operation of our computer network, systems and data centres, some of which have been outsourced to third-party providers. Our systems, personnel and operations could be exposed to damage or interruption from fire, natural disasters, pandemic, power loss, war, terrorist acts, civil disobedience, telecommunication failures, computer viruses, distributed denial-of-service and other attacks or human error. Our business continuity and disaster recovery plan may not prevent or reduce the impact of such disruptions or address all eventualities. For further details, see Section 7.8.2 of this Prospectus. Any significant interruption could severely harm our business operations and reputation and result in a loss of revenue and customers.

5.2.4 We are subject to competition in the markets in which we operate.

The market for our digital solutions is competitive and we may not be able to compete successfully against our competitors which could impair our ability to sell our services and could reduce our market share as our industry grows. We compete on, among others, differentiated digital solutions, datasets, analytics capabilities, ease of integration with our customers' technology, stability of services, customer relationships, innovation and price. Our competitors vary in size, financial and technical capability and the scope of the products and services they offer. For further details, see Section 7.13 of this Prospectus. We may encounter competitors in the future that may be better positioned to develop, promote and sell their products or larger competitors that may benefit from greater cost efficiencies and may be able to win business simply based on pricing. Our competitors may gain access to new data sources that we do not have. We generally face downward pressure on the pricing of our digital solutions, which could result in us having to reduce prices for certain digital solutions, or a loss of market share. Our competitors may also be able to respond to opportunities before we do, for example by taking advantage of new technologies, changes in customer requirements or market trends. Price reductions by our competitors could also negatively impact our operating margins or harm our ability to obtain new long-term contracts or renewals of existing contracts on favourable terms. Emerging competitors, or alliances among existing competitors, may also result in such competitors gaining significant market share. These new competitors may develop digital solutions, products and services that are superior to ours or that achieve greater market acceptance.

There can be no assurance that we will be able to respond to changes in customer requirements as quickly and effectively as our competitors and compete effectively against current and future competitors. If we fail to successfully compete, our business, financial condition and results of operations may be adversely affected.

5.2.5 We may face claims for intellectual property infringement, which could subject us to monetary damages or limit us in using some of our technologies or providing certain services.

Our industry is subject to substantial risks of intellectual property rights litigation such as copyright or patent infringement. We cannot be certain that we do not infringe on the intellectual property rights of third parties, including the intellectual property rights of third parties in other countries, which could result in a liability to us. If such claims are asserted against us, we may be required to obtain licences from third parties (if available on acceptable terms or at all). Any such claims, regardless of merit, could be costly and time-consuming to litigate or settle, divert the attention of management and materially disrupt the conduct of our business, and we may not prevail. Intellectual property infringement claims against us could subject us to liability for damages and restrict us from providing services or require changes to certain of our digital solutions. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

5.3 RISKS RELATING TO OUR SHARES

5.3.1 An active and liquid market for our Shares may not develop.

There can be no assurance as to the liquidity of the market that may develop for our Shares, the ability of holders to sell our Shares or the price at which holders would be able to sell our Shares. Neither we nor our Promoter have an obligation to make a market for our Shares or, if such a market does develop, to sustain it. In addition, there can be no assurance that the trading price of our Shares will reflect our operations and financial condition, our growth prospects or the growth prospects of the industry in which we operate.

5.3.2 Our Share price and trading volume may be volatile.

The market price of our Shares may fluctuate as a result of, among other things,

(i) general market, political and economic conditions;

(ii) trading liquidity of our Shares;

(iii) differences between our actual financial and operating results and those expected by investors and analysts;

(iv) changes in earnings estimates and recommendations by financial analysts;

(v) changes in market valuations of listed shares in general or shares of companies comparable to ours;

(vi) changes in government policy, legislation or regulation; and

(vii) general operational and business risks.

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

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

5.3.3 We may not be able to pay dividends.

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

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

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

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

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

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

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

(i) the Joint Managing Underwriters' or the Joint Underwriters' exercise of their rights under the Retail Underwriting Agreement, or the Joint Global Coordinators' or the Joint Bookrunners' exercise of their rights under the Placement Agreement, to discharge themselves of their obligations under such agreements;

(ii) our inability to meet the minimum public shareholding spread requirement pursuant to Paragraph 3.06 of the Listing Requirements of having at least 25% of the total number of our Shares for which our Listing is sought being in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of our Listing as approved by Bursa Securities (See Section 2.1 of this Prospectus for details); or

(iii) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

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

(i) the SC issues a stop order under Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we and the Selling Shareholders shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, investors will not receive any IPO Shares, and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

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

(i) the SC issues a stop order under Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of our share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by way of special resolution in a general meeting and supported by either (a) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances, or (b) a solvency statement from the directors.

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

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

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

6. INFORMATION ON OUR GROUP

6.1 OUR COMPANY

6.1.1 History and background

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

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

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

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

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

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

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

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

6.1.2 Share capital

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

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

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

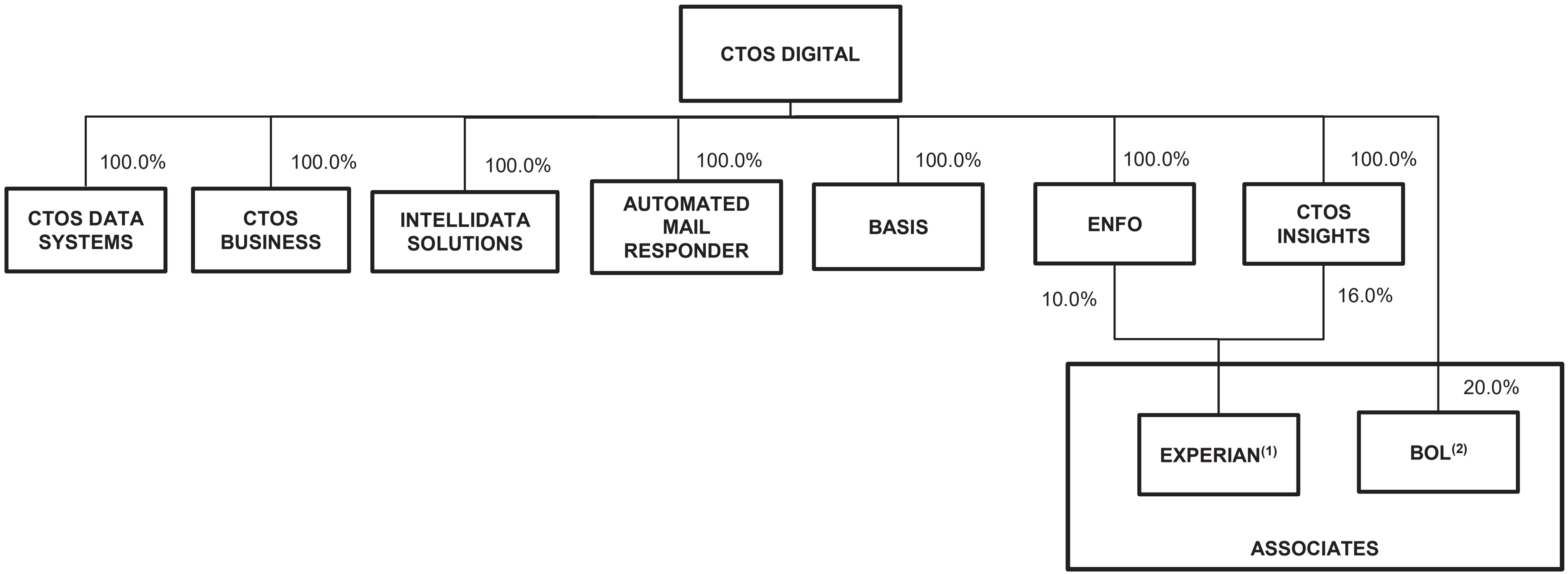
Note:

(1) Pursuant to the Subdivision.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.2 OUR GROUP STRUCTURE

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



Notes:

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

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

6.3 OUR SUBSIDIARIES AND ASSOCIATES

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

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

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

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

6.3.1 Information on CTOS Data Systems

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

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

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

6.3.2 Information on CTOS Business

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

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

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

6.3.3 Information on Intellidata Solutions

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

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

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

6.3.4 Information on Automated Mail Responder

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

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

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

6.3.5 Information on Basis

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

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

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

6.3.6 Information on Enfo

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

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

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

6.3.7 Information on CTOS Insights

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

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

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

6.3.8 Information on Experian

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

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

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

6.3.9 Information on BOL

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

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

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

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

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

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

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

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

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

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

(i) public take-over offers by third parties in respect of our Shares; and

(ii) public take-over offers by our Company in respect of other companies' securities.

7.1 OVERVIEW

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

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

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

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

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

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

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

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

- In October 2020, we acquired a 20.0% equity interest in BOL, which was incorporated in Thailand in December 2003. BOL's principal activities are a service provider and developer of local and global financial information system and an online and offline business information service provider as well as a provider of consulting service, debt collection service and database management.

- In January 2021, we acquired the entire equity interest in Basis, a Malaysian CRA. Basis is principally involved in the business of credit reporting, focusing on comprehensive commercial credit reports. The acquisition of Basis has expanded the range of our international business reports and provides us with a complementary base of international customers in industries such as insurance, services and credit reporting who are located primarily in Asia Pacific and Europe. The acquisition also diversifies our customer base as approximately 85.0% of Basis' revenue in each of the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 was generated from its international customers.

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

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

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

7.2 COMPETITIVE STRENGTHS, FUTURE PLANS AND STRATEGIES

7.2.1 Competitive strengths

Our competitive strengths are as follows:

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

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

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

Identification	Customer / Vendor Onboarding	Application and Decisioning	Management and Monitoring	Recovery
When our customer identifies a prospective business or consumer for a new business relationship or transaction	The initial step of determining whether a prospective customer or vendor is suitable for a new transaction or business relationship based on their past business and financial dealings	After a prospective customer is onboarded, the point in time when a business decides whether or not to extend credit to the prospective customer	Within a business' portfolio of existing customers, there are opportunities to generate new and additional sources of revenue as well as potential areas of credit risk. Effective portfolio management, analysis and monitoring can better identify these opportunities and risks	The stage in the customer lifecycle when a business must manage its relationship with a customer that can no longer meet its credit obligations
Malaysia solutions (offered through CTOS Data Systems and Basis)				
▪ CTOS CreditFinder ▪ CTOS Tenant Screening Report ▪ Company Search ▪ Business Listings ▪ Customised Bulk Data Sales	▪ CTOS IDGuard ▪ CTOS eKYC ▪ CAD ▪ CTOS Credit Manager ▪ CTOS Tenant Screening Report	▪ CAD ▪ CTOS Scores ▪ CTOS Credit Manager ▪ CTOS Data Systems Reports, CTOS Basis Reports and External Reports ▪ CTOS Basis (formerly BASISNET) ▪ eTR ▪ eTR Plus	▪ CTOS Credit Manager ▪ Comprehensive Portfolio Review ▪ CTOS Scores ▪ CTOS Portfolio Analytics and Insights ▪ CTOS IDGuard ▪ CTOS SecureID	▪ CTOS Credit Manager ▪ eTR ▪ eTR Plus

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

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

Notes:

(1) Includes digital solutions and services offered by both entities under the holding company which are CTOS Data Systems and Basis.

(2) The scope of solutions and services may not have use cases in Malaysia.

(3) FIS specialises in credit enquiries for individuals and businesses that are specifically for motor vehicles and leasing purposes.

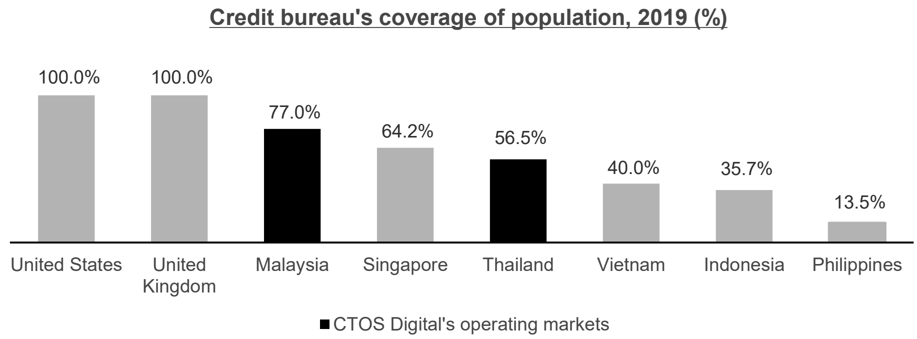
(4) Credit scores are a numerical summary of the borrower's credit health derived from statistical models.

(5) Credit ratings are expressed as a letter grade of the creditworthiness of the borrower, also derived from statistical models but are more often used for businesses and governments.

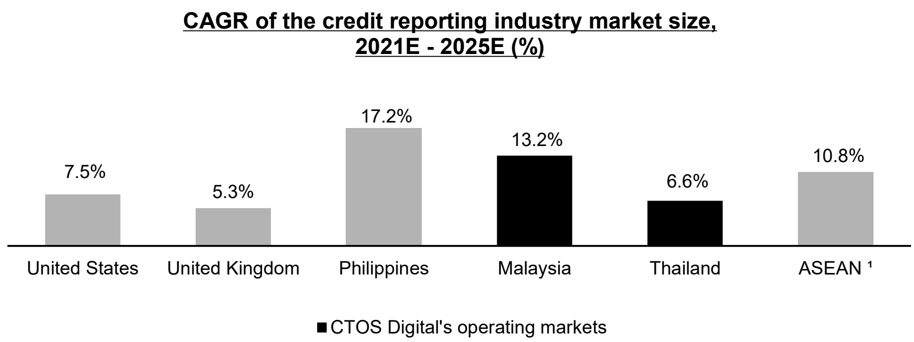
We believe that our ability to provide this automated and seamless user experience further positions us as the leading CRA in Malaysia, not just in terms of market share but also in terms of the quality and range of digital solutions we can offer. For further details of our digital solutions, see Section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

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

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



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



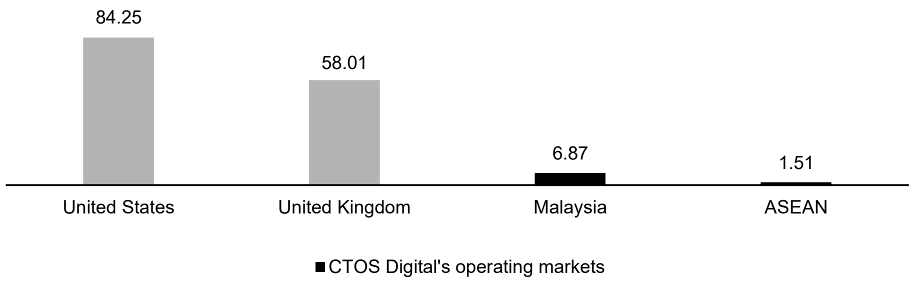
Note:

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

Source: IMR Report.

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

Credit reporting revenue per capita, 2020 (RM)



Source: IMR Report.

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

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

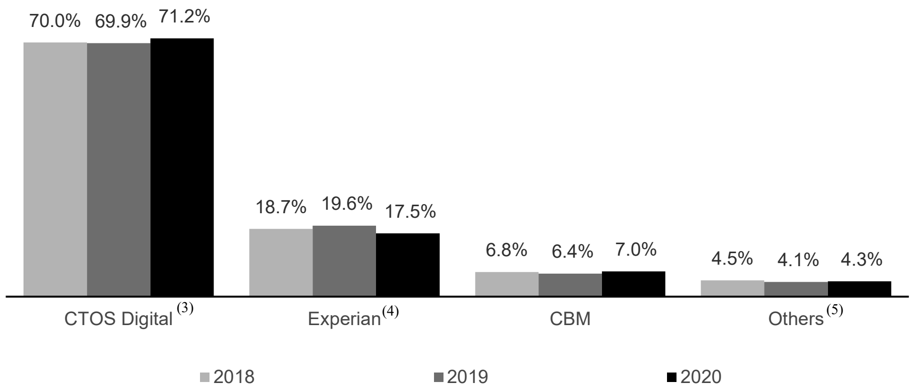
Currently, our suite of credit management solutions is already serving many of the P2P lenders in Malaysia and a number of local e-wallet companies. With the increased trend towards digital banking led by banks and fintech companies such as payment companies and P2P lenders, our digital solutions including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

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

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

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

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



Notes:

(1) The information is based on the latest financial data reported by the selected companies gathered as at 31 May 2021.

(2) Market share for CBM and others (which includes FIS, D&B and CRIF) for the financial year ("**FY**") 2020 are based on IDC Research's projections over the FY 2019 revenue which are the latest publicly available financial data. The market shares are also based on IDC Research's estimates for the FY 2020 for companies with different reporting periods.

(3) CTOS Digital's market share is combined with Basis on a pro-forma basis since Basis was acquired by CTOS Digital in January 2021.

(4) Market shares for Experian reflect an apportionment to a 12-month period of January to December 2020 based on latest unaudited management accounts. Historical market shares are also adjusted to account for a change in year end from 31 December 2019 to 31 March 2020.

(5) Others include FIS, D&B and CRIF. CRIF was incorporated in 2019. The financial data used were of parent company, CRIF Sdn Bhd, who is principally engaged in business information, credit reporting and other services.

Source: IMR Report.

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

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

- **Security**: As CRAs handle, process and analyse customers' highly confidential information, substantial resources including but not limited to, time, people, money (investment), infrastructure and governance framework are required to establish a cyber-resilient culture.

- **Database**: For a CRA to report on consumer and business credit behaviour, it is necessary to have access to a large database of credit, demographic and other consumer and business information. It is also challenging to obtain access and approval from the necessary governmental agencies and other data sources. For example, CRAs require approval from BNM in order to access CCRIS information. Relative to incumbent players with histories of data collection and working relationships with the necessary stakeholders, it can be difficult to attain a similar size of database.

- **Brand recognition**: As CRAs provide and collect sensitive customer information, customer trust and brand recognition are important.

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

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

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

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

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

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

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

- **Key Accounts**: brand and networking events, forums and webinars, as well as public relations initiatives for digital solution launches

- **Commercial**: same channels as Key Accounts, as well as digital and social marketing and partnership programmes

- **Direct-to-Consumer**: engaged through digital and social marketing, webinars, television and radio advertising and branded content placement, roadshows, partnerships and outdoor advertising

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

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

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

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

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

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

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

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

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

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

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

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

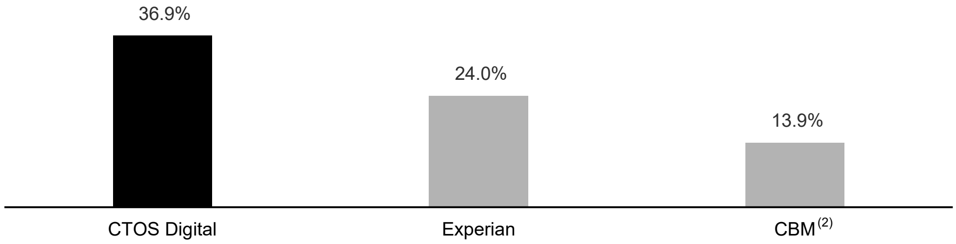
Our customers have largely remained loyal and continue to renew their contracts with us. We believe our fully digital platform and our end-to-end credit management solutions have become an integral part of some of our customers' business processes, with their core business processes having developed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

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

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

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

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



Notes:

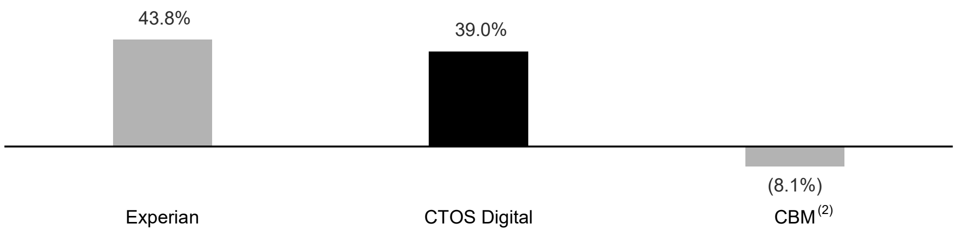
(1) Computed based on EBITDA divided by revenue for the period.

(2) Based on the latest available audited financial statements of CBM for the FYE 31 December 2019.

Source: IMR Report.

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

Comparison of ROE(1) for 2020 (%)



Notes:

(1) Computed based on profit for the FY divided by the average shareholders' equity as of the beginning and the end of the same financial year.

(2) Based on the latest available audited financial statements of CBM for the FYE 31 December 2019.

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

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

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

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

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

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

7.2.2 Our future plans and strategies

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

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

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

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

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

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

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

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

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

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

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

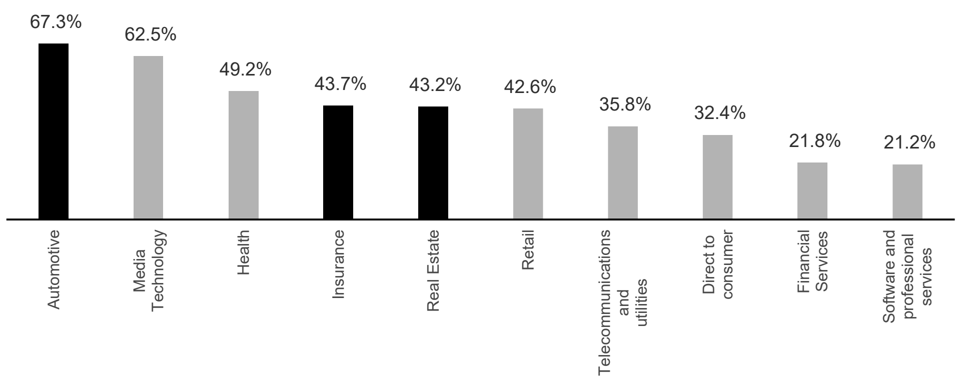
Through eTR Plus, we have been working with telecommunication and utility companies to gain insightful data regarding consumers' payments of utility bills. We intend to leverage on our strong local branding and long-standing working relationships with our key customers, to increase our database network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

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

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

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

Total addressable market for credit reporting industry services and products by sectors in Malaysia, 2021-2025E CAGR (%)



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.3 KEY MILESTONES

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

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

Year	Event
1992	CTOS Data Systems was incorporated with the goal to better serve banks and finance institutions in Malaysia by enabling direct integration of its database with systems of some of the financial institutions which had subscribed to its credit reporting services
1994	CTOS-EMR was incorporated to serve commercial companies[(1)]
2007	CTOS Credit Manager launched
2010	Malaysia enacted the CRA Act
2011	CTOS ID launched
2013	CTOS Mobile Application launched
2014	• The CRA Act came into force and CTOS Data Systems was registered as a licensed CRA[(1)] • Inodes acquired a 70.0% equity interest in our Company
2015	CTOS Data Systems first obtained access to CCRIS data
2016	• CTOS Consumer Score launched in collaboration with FICO • CTOS FREE Score campaign launched to promote responsible lending and financial literacy
2018	CTOS SecureID and CAD launched
2019	• We acquired a 26.0% equity interest in RAM Credit Information Sdn Bhd ("**RAMCI**") through the acquisitions of Enfo and CTOS Insights. RAMCI was subsequently renamed Experian • CTOS SME Score and CTOS eKYC launched
2020	• Expansion of our analytics capabilities for monitoring and insights solutions through CTOS Portfolio Analytics and Insights • CTOS IDGuard launched • We acquired a 20.0% equity interest in BOL
2021	• We acquired the entire equity interest in Basis to expand our range of international business reports • CTOS Tenant Screening Report launched

Note:

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

7.4 OUR CUSTOMERS

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

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

Notes:

(1) Revenue from our International B2B customers comprised revenue from CIBI following our acquisition of a 51.0% equity interest in CIBI in June 2020. We removed our entire 51.0% equity interest in CIBI from our Group via the Distribution which was completed on 15 June 2021.

(2) Our consolidated financial statements for the FYE 31 December 2021 will include the results of operations of Basis since we completed the acquisition on 4 January 2021. We expect revenue from Basis to be classified as revenue from Commercial – International customers.

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

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

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

7.4.1 Key Accounts

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

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

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

7.4.2 Commercial

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

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

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

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

7.4.3 Direct-to-Consumer

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

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

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

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

7.4.4 International B2B

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

7.5 OUR DIGITAL SOLUTIONS

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

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

Lifecycle stage	Description	Our digital solutions offered through CTOS Data Systems and Basis
Identification	When our customer identifies a prospective business or consumer for a new business relationship or transaction.	• *CTOS CreditFinder* • *CTOS Tenant Screening Report* • *Company Search* • *Business Listings* • *Customised Bulk Data Sales*
Customer/vendor onboarding	The initial step of determining whether a prospective customer or vendor is suitable for a new transaction or business relationship based on their past business and financial dealings.	• *CTOS IDGuard* • *CTOS eKYC* • *CAD* • *CTOS Credit Manager* • *CTOS Tenant Screening Report*
Application and decisioning	After a prospective customer is onboarded, the point in time when a business decides whether or not to extend credit to the prospective customer.	• *CAD* • *CTOS Scores* • *CTOS Credit Manager* • *CTOS Data Systems Reports, CTOS Basis Reports and External Reports* • *CTOS Basis (formerly BASISNET)* • *eTR* • *eTR Plus*
Management and monitoring	Within a business' portfolio of existing customers, there are opportunities to generate new and additional sources of revenue as well as potential areas of credit risk. Effective portfolio management, analysis and monitoring can better identify these opportunities and risks.	• *CTOS Credit Manager* • *Comprehensive Portfolio Review* • *CTOS Scores* • *CTOS Portfolio Analytics and Insights* • *CTOS IDGuard* • *CTOS SecureID*
Recovery	The stage in the customer lifecycle when a business must manage its relationship with a customer that can no longer meet its credit obligations.	• *CTOS Credit Manager* • *eTR* • *eTR Plus*

7.5.1 Credit Scores

CTOS Scores

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

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

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

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

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

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

7.5.2 CTOS Credit Manager and CTOS Basis

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

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

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

7.5.3 Comprehensive Portfolio Review

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

7.5.4 Portfolio Analytics and Insights

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

7.5.5 CAD

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

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

7.5.6 CTOS eKYC

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

(i) Document Verification – Using OCR technology, information on a government-issued ID is scanned or photographed, temporarily uploaded to our platform and verified for authenticity;

(ii) Facial Recognition – Still or in-motion facial images are shared to our platform, analysed against the database of our customer's choosing and matched with a facial image that has been extracted from a government-issued ID;

(iii) Bureau-file Verification – Customer information, such as information extracted from a government-issued ID using OCR technology or information in an existing database, is cross-checked against our proprietary information databases to identify information mismatches and red flags; and

(iv) Knowledge-Based Authentication – The applicant is given a series of dynamic questions generated from our information database, and correct answers are used to confirm the applicant's identity.

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

7.5.7 Our Reports

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

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

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

Malaysia Reports:

Our reports on Malaysian businesses and consumers include:

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

- MDI Report: contains bankruptcy and insolvency information of individuals and businesses;

- E-Court Search Report: contains information on legal proceedings in Malaysia from public court listings and legal notices; and

- Land Title Report: contains official property ownership information from land offices in Malaysia.

International Reports:

Our reports on international businesses include:

- Basis Overseas Report: contains information on companies outside of Malaysia, including registration information, date of incorporation, legal status, capital structure, encumbrances and legal actions, as well as more extensive information on payment records, clientele, operations, recent developments, industry outlook, Basis' comments on the company's position based on the aforementioned information and Basis' credit risk evaluation; and

- Singapore Comprehensive Report: similar to Basis Credit Report and contains ACRA registry related information, company financials, comparative ratios and industry outlook for Singaporean companies.

7.5.8 CTOS IDGuard

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

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

7.5.9 CTOS SecureID

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

7.5.10 CTOS CreditFinder

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

7.5.11 Customised Bulk Data Sales

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

7.5.12 Company Search

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

7.5.13 eTR and eTR Plus

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

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

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

7.6 OUR DATA SOURCES AND INFORMATION DATABASES

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

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

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

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

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

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

7.6.1 eTR

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

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

7.6.2 eTR Plus

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

7.6.3 CED

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

7.7 STRATEGIC INVESTMENTS

7.7.1 Experian

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

7.7.2 BOL

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

7.8 TECHNOLOGY

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

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

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

7.8.1 Development of our digital solutions

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

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

(i) *Initiation*: During the initiation phase, the need for the system is expressed and the purpose of the system is documented;

(ii) *Development and acquisition*: During this phase, the system is designed, purchased, programmed, developed, or otherwise constructed;

(iii) *Implementation and assessment*: During this phase, the system is tested and installed;

(iv) *Operation and maintenance*: During this phase, regular operation and maintenance services are performed on the software and modified to be adaptable to other hardware and software; and

(v) *Disposal:* During this phase, the system is terminated according to the outlined security and safety procedures and the data is safely migrated to the new system.

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

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

7.8.2 Data centres and business continuity

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

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

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

7.8.3 Security

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

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

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

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

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

7.9 OUR MAJOR CUSTOMERS

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

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

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

Notes:

(1) Rounded up to the nearest whole year if six months or more and vice versa.

(2) Customer A is involved in the business of commercial banking and the provision of related financial services, and its activities are principally conducted in Malaysia. Customer A is a Malaysian-incorporated subsidiary of an investment holding company incorporated under the laws of Malaysia. The ultimate holding company of Customer A is incorporated under the laws of Malaysia and is listed on the Main Market of Bursa Securities. We believe that the disclosure of the identity of Customer A will allow our competitors to enhance their efforts in targeting our major customers and therefore adversely affect our competitive position. None of our Directors, Promoter and substantial shareholders has any interest in, or undue influence over, Customer A.

(3) Customer B is involved in the business of commercial banking, finance related business and the provision of related services, and its activities are principally conducted in Malaysia. Customer B is incorporated under the laws of Malaysia and is listed on the Main Market of Bursa Securities. We believe that the disclosure of the identity of Customer B will allow our competitors to enhance their efforts in targeting our major customers and therefore adversely affect our competitive position. None of our Directors, Promoter and substantial shareholders has any interest in, or undue influence over, Customer B.

(4) Customer C is involved in the business of commercial banking, and its activities are principally conducted in Malaysia. Customer C is a Malaysian-incorporated subsidiary of an investment holding company incorporated under the laws of Malaysia, which is listed on the Main Market of Bursa Securities. We believe that the disclosure of the identity of Customer C will allow our competitors to enhance their efforts in targeting our major customers and therefore adversely affect our competitive position. None of our Directors, Promoter and substantial shareholders has any interest in, or undue influence over, Customer C.

(5) Customer D is involved in all aspects of banking business and the provision of related financial services, and its activities are principally conducted in Malaysia. Customer D is listed on the Main Market of Bursa Securities. We believe that the disclosure of the identity of Customer D will allow our competitors to enhance their efforts in targeting our major customers and therefore adversely affect our competitive position. None of our Directors, Promoter and substantial shareholders has any interest in, or undue influence over, Customer D.

(6) Customer E is involved in the sales and lease of household appliances in Malaysia. Customer E is a Malaysian-incorporated subsidiary of a company incorporated under the laws of the Republic of Korea to engage primarily in the manufacture and sales of household appliances which is listed on the Korea Stock Exchange. Customer E maintains a policy of strict confidentiality of information on its suppliers and due to strategic business and competitive reasons, Customer E requested to remain anonymous in its business dealings with us and has informed us that it does not agree to be named in this Prospectus. None of our Directors, Promoter and substantial shareholders has any interest in, or undue influence over, Customer E.

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

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

7.10 OUR MAJOR SUPPLIERS

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

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

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

Notes:

(1) Excludes lessors of our office spaces and fees paid to Creador under the Expense Reimbursement Agreement as we do not deem lessors and Creador as suppliers.

(2) Rounded up to the nearest whole year if six months or more and vice versa.

(3) Purchases comprises cost of sales, administrative expenses and property, plant and equipment additions and excludes staff costs, depreciation and amortisation, reversal of/(allowance for) impairment of trade receivables, gain/loss on disposal of property, plant and equipment, bad debts, unrealised (gain)/loss on foreign exchange, rental of buildings and sales commission and incentives and fees paid to Creador under the Expense Reimbursement Agreement.

(4) Supplier A is principally involved in the business of information service supply, data analytics, software development, documents storage and management services. Supplier A is a subsidiary of a company incorporated under the laws of Malaysia which provides management services. Supplier A's principal market of operation is in ASEAN. Supplier A maintains a policy of strict confidentiality of information on its customers and due to strategic business and competitive reasons, Supplier A requested to remain anonymous in its business dealings with us and has informed us that it does not agree to be named in this Prospectus. None of our Directors, Promoter and substantial shareholders has any interest in, or undue influence over, Supplier A.

(5) Supplier B is principally involved in the provision of IT consulting and software services and its activities are principally conducted mainly within Malaysia. Supplier B is a subsidiary of a company incorporated under the laws of Singapore which provides IT and management consultancy services. Due to Supplier B's internal policy which regards the transaction amount as confidential, Supplier B requires to remain anonymous in its business dealings with us and has informed us that it does not agree to be named in this Prospectus. None of our Directors, Promoter and substantial shareholders has any interest in, or undue influence over, Supplier B.

7.11 SALES

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

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

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

7.12 MARKETING

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

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

7.13 COMPETITION

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

(i) CTOS Consumer Score, CTOS SME Score and related reports from CTOS Data Systems and Basis – Domestic CRAs in Malaysia such as CBM;

(ii) CTOS eKYC – domestic CRAs, foreign KYC providers and digital verification vendors;

(iii) CTOS Credit Manager and CTOS Basis – We compete to some extent with entities such as Experian (our associate that deploy collections platforms, account management systems or recovery solutions). However, we believe that we do not have direct competitors for CTOS Credit Manager as an integrated, end-to-end credit management solution; and

(iv) Monitoring and recovery solutions, including Comprehensive Portfolio Review, CTOS Portfolio Analytics and Insights, CTOS SecureID and eTR – Competition is similar to that of our consumer credit score solutions.

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

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

7.14 SEASONALITY

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

7.15 MATERIAL TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS

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

7.16 EMPLOYEES

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

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

Notes:

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

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

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

7.16.1 Employee training

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

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

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

Functional upskilling	Soft skills enhancement	Leadership progression
• Accredited courses with certifications • Industry-recognised qualifications	• Sales and negotiation • Service excellence workshops • Emotional quotient-based interviewing techniques	• Leadership boot camps • People management • Coaching and developing others • Situational leadership seminars

7.17 INSURANCE

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

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

7.18 RESEARCH AND DEVELOPMENT

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

7.19 GOVERNING LAWS AND REGULATIONS

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

7.19.1 Governing laws and regulations in Malaysia

(i) CRA Act

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

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

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

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

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

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

(ii) PDPA

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

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

7.19.2 Governing laws and regulations in Thailand

(i) Thai PDPA

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

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

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

7.20 MAJOR CERTIFICATES, LICENCES, PERMITS AND APPROVALS

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

7. BUSINESS OVERVIEW *(Cont'd)*

7.21 MATERIAL PROPERTIES AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) have in place framework and processes to ensure consent is obtained;

(iii) have in place policies and procedures relating to the extraction and handling of the Credit Information including the criteria for the Authorised Users as approved by CTOS Data Systems' Board of Directors;

(iv) have in place policies and procedures to handle any complaint arising from any inaccurate Credit Information obtained from the System;

(v) provide BNM with periodical audit report on compliance with conditions for access, including requirement for the persons' or borrowers' consent and security of systems, as may be requested by BNM within such period as may be determined by BNM;

(vi) ensure that the Credit Information is only used in Malaysia;

(vii) observe the confidentiality requirements as specified in the Participation Agreement, including taking all necessary steps to maintain the utmost security and confidentiality of information obtained pursuant to the Participation Agreement. The confidentiality requirements survive the termination or expiry of the Participation Agreement;

(viii) not provide or on-sell the Credit Information in its raw form; and

(ix) not assign, sub-license, or otherwise transfer the benefit of CTOS Data Systems' rights or obligations under the Participation Agreement without BNM's prior written consent.

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

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

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

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

(i) is no longer a registered CRA under the CRA Act;

(ii) fails to comply with any provisions under the CRA Act;

(iii) commits any breach of any of the terms or conditions of the Participation Agreement and fails to take appropriate steps to remedy such breach (if capable of remedy) within seven days after being given written notice to do so by BNM;

(iv) carries out its operations in a manner which poses reputational and financial risks to BNM or to the stability of the financial system; and

(v) ceases or threatens to cease carrying on the whole or any substantial part of its business other than in the course of reconstruction or amalgamation.

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

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

Notes:

(1) This Participation Agreement was executed pursuant to Section 47(2)(c) of the Central Bank of Malaysia Act 2009, which allows BNM to disclose credit information to a CRA registered under the CRA Act, and is in line with CCRIS' purpose to promote financial stability and financial inclusion.

(2) Access to DCHEQS is no longer available starting from 1 October 2020 in line with the decommissioning of DCHEQS.

7.22.2 CRA Certificate

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

7.23 HEALTH AND SAFETY

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

See also Section 7.24 of this Prospectus.

7.24 BUSINESS INTERRUPTIONS

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

COVID-19 pandemic

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

Malaysia

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

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

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

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

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

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

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

Thailand

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

7.25 ENVIRONMENTAL MATTERS

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

7.26 CORPORATE SOCIAL RESPONSIBILITY

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

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

7.26.1 Society and marketplace

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

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

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

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

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

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

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

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

7.26.2 Digitalisation

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

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

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

IDC Market Research (M) Sdn Bhd
The Pinnacle
Suite 7-03, Level 7, Persiaran Lagoon,
Bandar Sunway, 47500 Subang Jaya,
Selangor, Malaysia
Tel: +603 7663 2288
www.idc.com/asean

Date: 15 JUN 2021

Board of Directors
CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

Dear Sirs/Madam

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

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

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

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

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

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

Sudev Bangah
Managing Director – IDC ASEAN

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Profile of IDC Market Research (Malaysia) Sdn Bhd

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

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

Methodology

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

Profile of this IMR Report signee, Sudev Bangah

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

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

For further information, please contact:

IDC Market Research (Malaysia) Sdn Bhd
The Pinnacle,
Suite 7-03, Level 7, Persiaran Lagoon,
Bandar Sunway, 47500 Subang Jaya
Selangor, Malaysia
Voice: +603 7663 2288 / Fax: +603 7663 4115
www.idc.com

1.0 The Global Credit Reporting Industry

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

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

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

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

Source: IDC Malaysia Analysis.

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

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

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

Source: IDC Malaysia Analysis.

1.4 US Industry Performance, Size and Growth. The US represents the origin of modern credit scoring globally. It is the largest market worldwide for credit reporting with revenues of RM27.9 billion (USD6.7 billion[1]) in 2020. The US operates largely on the universal credit score basis (FICO score) measured on a range of 300-850. Three major credit agencies: Equifax Inc, Experian plc and TransUnion LLC offer a variation of this score to lenders that may differ depending on industry.

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

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

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

Source: Company Annual Reports, IDC Malaysia Analysis.
Based on USD to RM exchange rate of 4.1 as of 31 May 2021.

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

Historical Growth Driven by Credit. Overall growth in the US credit reporting industry has been largely driven by financial transactions in both the consumer and corporate space. Consumer credit in particular has been a significant driver of the US credit reporting industry growth, with the US holding average consumer credit debt at RM53,582.20 (USD12,923.83[2]) per capita as of May 2021, according to the US Federal Reserve.

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

1.5 UK Industry Performance, Size and Growth. The UK market for credit reporting was at RM3.9 billion (USD952.5 million[2]) in 2020 and is one of the largest markets for credit reporting globally behind the US. Credit scoring is done very differently in the UK compared to the US, with lenders generally operating off their own internal risk models and with no universal score being made available. The three major credit reporting organisations present in the US are also the major players in the UK market and market their products to a variety of industries and customers.

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

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

Source: Company Annual Reports, IDC Malaysia Analysis.
Based on USD to RM exchange rate of 4.1 as of 31 May 2021.

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

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

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

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

1.6 ASEAN Industry Performance, Size and Growth. The ASEAN region consisting of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam represents a key growth region in Asia. Despite rapidly growing consumer spending power, the region still remains uneven in its development and ranges from Singapore with one of the highest GDP per capita globally (2020: RM252,779.65) to Cambodia (2020: RM6,517.18) which has one of the lowest[3]. Similar to overall economic disparity within the region, the credit reporting industry remains underdeveloped in certain major markets such as the Philippines and Indonesia, with much potential to grow further.

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

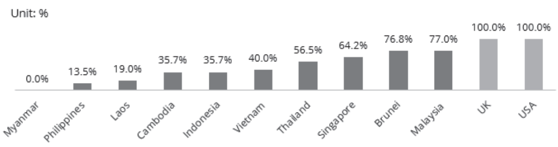
Country	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 16-20	CAGR 21E-25E	CAGR 16-25E
Indonesia	114.9	148.2	183.8	213.2	218.8	230.5	252.8	280.7	305.9	331.6	17.5%	9.5%	12.5%
Malaysia	138.5	169.5	196.9	215.6	224.7	246.6	283.1	320.9	362.6	405.6	12.9%	13.2%	12.7%
Philippines	26.3	35.0	45.8	58.3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

Source: Company Annual Reports, IDC Malaysia Analysis.
Based on USD to RM exchange rate of 4.1 as of 31 May 2021.

Growing Rapidly but Underserviced. Market size of the ASEAN region for credit reporting is at RM990.5 million (USD238.9 million[4]) in 2020. Growth for ASEAN from 2021 to 2025 is expected to be at 10.8% annually, much higher than in developed countries such as the US and UK. Growth potential in ASEAN comes from greater penetration and usage of credit reporting services and further expansion of other services such as offering analytics, eKYC, application automation and direct-to-consumer services, building from its current base which has fewer products and services available to customers when compared to developed countries.

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

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



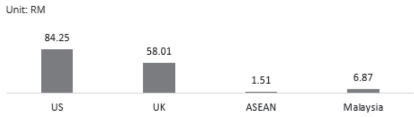
Based on latest data available as at 31 May 2021.
Source: from World Bank, IDC Malaysia Analysis.

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

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

[3] International Monetary Fund ("**IMF**"), 2020.
[4] *Based on USD to RM exchange rate of 4.1 as of 31 of May 2021.*

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



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

In comparison to developed markets such as the US and UK, the ASEAN region has strong potential for credit reporting revenue growth. ASEAN credit reporting revenue in 2020 at RM1.51 per capita is 56 times smaller than the US in 2020 at RM84.25 per capita, while Malaysia by itself stands better with RM6.87 per capita (12 times smaller than the US). For the industry in ASEAN to further grow and improve its revenue on a per capita basis, there are several key possible growth paths as featured in Table 1-9.

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

Table 1-8: Comparison of Indicators in Key Geographies

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

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

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

US/UK	ASEAN	ASEAN Potential Growth Path
Industry revenue per capita 2020: RM84.25/RM50.01	**Industry revenue per capita 2020**: RM1.51	Increase revenue per capita through growth to above RM1.51 beyond 2020
Percentage of adults covered by credit bureau: 100%/100%	**Percentage of adults covered by credit bureau:** 46%	Increase percentage covered by **increasing access** to credit bureau associated products and services
Market(s) dominated by the three major players, namely, **Experian plc, TransUnion LLC and Equifax Inc**	Market fragmented with **multiple smaller players** operating in each market	**Potential to consolidate market and increase depth of customer databases through** inorganic acquisition and organic competition
Typical Services offered in the US/UK market **core credit services – Average 50% of revenue** ▪ Credit reporting for large businesses/SMEs ▪ **Consumer services – Average 25% of revenue** ▪ Direct-to-consumer products ▪ **Analytical services – Average 25% of revenue** ▪ Customer and market insights Automation of application processing – eKYC ▪ Fraud detection and management ▪ Debt management ▪ Vehicle identities ▪ Lead generation and prequalification	**Typical Services offered in the ASEAN market** **Core credit services – average 80% of revenue** ▪ Credit reporting for large businesses/SMEs ▪ **Consumer services – Average 10% of revenue** ▪ Direct to consumer products (just starting) ▪ **Analytical services – Average 10% of revenue** ▪ Customer and market insights ▪ Automation of application processing – eKYC ▪ Fraud detection and management	**Increase services offered to the ASEAN market via** ▪ **Increase core credit services revenue** by more dedicated credit reporting solutions for SME customers ▪ **Increase consumer credit services revenue** by increasing penetration and access to direct to consumer products ▪ **Increase analytical services revenue** by introducing services such as debt management, vehicle identities and lead generation into the market ▪ **Increase penetration and access** to customer and market insights, automation of application processing (eKYC) and fraud detection and management
Typical industry penetration in US/UK market ▪ Financial services, direct-to-consumer businesses, health, retail, telecommunication, automotive, software/professional services, insurance, media and public sector	**Typical industry penetration in ASEAN market** ▪ Financial services, insurance, direct to consumer businesses, retail and telecommunication	**Increase industry penetration in ASEAN market** ▪ **Strengthen coverage** into financial services, insurance, direct to consumer businesses, retail ▪ **Expand to** health, automotive, software/professional services, media and public sector

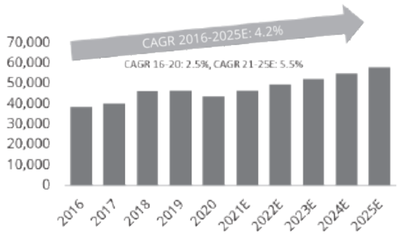
Source: IDC Malaysia Analysis.

2.0 <u>The Malaysian Credit Reporting Industry</u>

2.1 Malaysia's Macroeconomic Environment. Malaysia's 2020 GDP per capita is the third highest in ASEAN[5], after Singapore and Brunei, at RM44,054.36 (USD10,625.75[6]). Malaysia's GDP per capita grew by a CAGR of 2.5% between 2016-2020. The increase is attributed to the growth of domestic private expenditure and export growth during this period. In tandem with global economic trends, the Malaysian economy grew at a modest pace in 2019. Followed by weaker economic investment combined with the COVID-19 outbreak in 2020, Malaysia has experienced a decline in its GDP per capita in 2020 compared to 2019[7] but is expected to rebound in 2021. Between 2021 to 2025, IDC Malaysia forecasts the Malaysian GDP per capita to grow by a CAGR of 5.5%[8].

[5] IMF, World Bank, BNM, IDC Malaysia Analysis.
[6] *Based on USD to RM exchange rate of 4.1 as of 31 of May 2021.*
[7] Malaysian GDP per CAGR for 2016-2019 = 5.3%.
[8] IMF, World Bank, BNM, IDC Malaysia Analysis.

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



Source: IMF, World Bank, BNM, IDC Malaysia Analysis. Based on USD to RM exchange rate of 4.1 as of 31 May 2021.

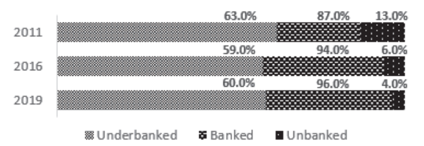
The Malaysian GDP and its GDP per capita are anticipated to gradually rebound in 2021 after having contracted in 2020 as a result of continued government support in strengthening economic recovery and growth. Economic plans introduced by the Malaysian government in 2020 to weather the impact of the COVID-19 pandemic included allowances amounting to RM260.0 billion under the Prihatin Rakyat Economic Stimulus Package and RM35.0 billion under the Short-Term Economic Recovery Plan. In addition to the stimulus packages launched in 2020, the Malaysian government rolled out the Strategic Programme to Empower the People and Economy (Pemerkasa) Plus aid package, worth RM40.0 billion, on 31 May 2021 to mitigate any economic impact for the two weeks lockdown effective June 2021.The financial aid, grants and incentives to businesses are expected to assist with operational costs and cashflow. Coupled with Malaysia's stable population growth, this is expected to increase consumer confidence in making loan applications thus leading to an increased usage of CRA services. In addition to the existing stimulus packages announced under the 2021 budget, the Malaysian government has allocated RM1.0 billion for digital transformation, including funds of RM150.0 million in SME digitalisation and automation grants and RM100.0 million in upskilling digital ready professionals to grow Malaysia's digital economy in the short and medium term. In order to strengthen its long-term position, the Malaysian government launched the Malaysian Digital Economy Blueprint (MyDIGITAL) in February 2021 as a national initiative to transform the country into a digitally-driven high-income nation and making it a regional market leader in producing digital products and digital solutions in Southeast Asia by 2030. As part of initiatives, it aims that the digital economy will contribute 22.5% of Malaysia's total GDP by 2025, boosting demand for digital technologies across Malaysian industries, including the CRA industry.

Table 2-2: Malaysia Demographics

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

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

Table 2-3: Financial Inclusion in Malaysia



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

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

2.2 Innovation in Digital Financial Services

Table 2-4: Infrastructure and Digital Adoption Indicators

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

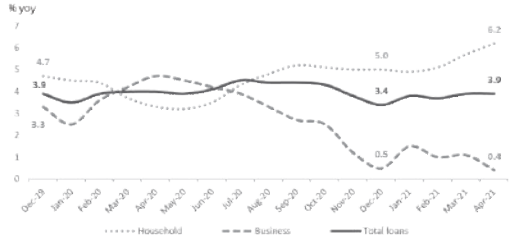
*Based on latest available data as of 31 May 2021. Source (1) Malaysia Communications and Multimedia Commission ("**MCMC**") Internet User Survey CMC Internet Users Survey 2020 (Biennial). (2) MCMC Press Release: Connectivity as a Catalyst to a Progressive Digital Nation.*

At the industry level, financial service providers are increasingly looking to capture the potential of digital innovation. Internet penetration reached 88.7% while smartphone penetration was at 98.7% in 2020. 82.2% of the population also had access to 4G LTE coverage. The transformation of digital financial services is spurred by the entrance of fintech companies. In 2019, Malaysia was home to over 200 fintech companies, as compared to 167 in 2018[9]. In March 2021, 64.8% of Malaysians also had active mobile banking accounts, as compared to 52.8% in March 2020[10]. Infrastructure and digital channel developments have had an impact in increasing access to banking services and raising financial literacy, with greater convenience and flexibility for consumers to keep track of their personal finances. This further reduces complexities and lowers the barrier for access to credit across all segments.

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

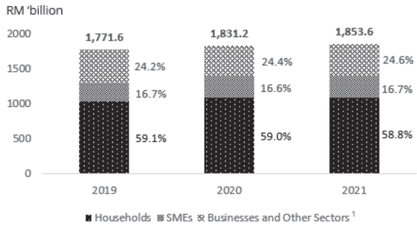
[9] Malaysia: A Flourishing Fintech Ecosystem, International Monetary Fund.
[10] BNM Payment Data, as of 31 May 2021.

Table 2-5: Growth of Total Outstanding Loans



Excluding Development Financial Institutions. Based on latest data available as at 31 May 2021.
Source: Monthly Statistics for April 2021, BNM, IDC Malaysia Analysis.

Table 2-6: Total Outstanding Loans



Based on latest data available as at 31 May 2021. [1] Based on IDC Estimates.
Source: Monthly Statistics March 2021, BNM, IDC Malaysia Analysis.

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

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

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

Table 2-8: Total Loan Provisions

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

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

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

Malaysia's SME Segment. As of March 2021, an estimated 22.2% of total loans disbursed were to the SME segment[11]. SMEs contributed 38.9% to Malaysia's GDP, amounting to RM552.3 billion in 2019 (2018: 38.3%; RM522.1 billion)[12]. In Q1 2019, 96.7% of total SME applications for financing were approved, as compared to 94.4% in Q3 2018.

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

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

2016	2017	2018	2019
90.1%	89.9%	94.4%	96.7

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

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

2016	2017	2018	2019	2020
267.4	296.3	308.1	295.8	256.8

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

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

By the end of 2020, total SME loans disbursed were at RM256.8 billion, a 13.2% reduction from 2019. Average sizes of new working capital loan applications among SMEs were down to 40% lower than levels before the pandemic. However, demand for financing from the SME sector remained stable, with close to 162,000 loan applications received in the second half of 2020 compared to an average of 123,500 in the same period between 2017 and 2019[13]. The continued demand for credit in the SME segment will have a direct impact on the frequency of credit checks made by financial institutions to make sound credit decisions.

2.4 Industry Overview

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

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

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

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

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

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

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

Source: Company Annual Reports, IDC Malaysia Analysis.

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

[13] BNM Financial Stability Review, Second Half 2020.

2.6 Supply and Demand Drivers

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

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

Source: IDC Malaysia Analysis

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

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

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

TAM defined as revenue opportunity available

Source: Company Annual Reports, IDC Malaysia Analysis.

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

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

Table 3-1: Solutions and Services Comparison

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

Notes: (1) Includes solutions and services offered by both entities under the holding company which are CTOS Data Systems and Basis. (2) The scope of solutions and services may not have use cases in Malaysia. (3) FIS specialises in credit enquiries for individuals and businesses that are specifically for motor vehicles and leasing purposes. (4) Credit scores are a numerical summary of the borrower's credit health derived from statistical models. (5) Credit ratings are expressed as a letter grade of the creditworthiness of the borrower, also derived from statistical models but are more often used for businesses and governments.
Source: Company websites as of 31 May 2021, IDC Malaysia Analysis.

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

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

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

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

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

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

3.2 Financial Benchmarks. The largest companies by market share were CTOS Digital[15], Experian and CBM. Other competitors are relatively smaller, cumulatively taking up less than 5.0% of the market share in 2020. On average, the other five players recognised an estimated revenue of RM11.3 million versus CTOS Data Systems' RM132.8 million and Basis' RM7.1 million in 2020. CTOS Digital also recorded the highest earnings before interest, tax depreciation and amortisation ("**EBITDA**") margin amongst its top three peers by market shares in the same year, indicating that the Company has better optimised operations.

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

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

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

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

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

Table 3-4: Barriers to Entry

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

Source: IDC Malaysia Analysis

4.0 Prospects and Outlook for CTOS Digital

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

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

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

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

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

9.1 PROMOTER AND SUBSTANTIAL SHAREHOLDERS

9.1.1 Profiles of our Promoter and substantial shareholders

(i) Inodes as our Promoter and substantial shareholder

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

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

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

Notes:

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

(2) A limited partnership formed under the laws of the Republic of Mauritius and licensed by the Financial Services Commission of the Republic of Mauritius to operate as a closed-end fund.

(3) A limited partnership formed under the laws of the state of Delaware under the Limited Partnership Act of Delaware.

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

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

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

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

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

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

(ii) Chung Tze Keong as substantial shareholder

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

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

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

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

(iii) Chung Tze Wen as substantial shareholder

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

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

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

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

9.1.2 Shareholding of our Promoter and substantial shareholders

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

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

Notes:

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

(2) Based on our enlarged issued share capital of 2,200,000,000 Shares upon Listing.

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

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

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

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

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

Note:

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

9.2 BOARD OF DIRECTORS

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

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

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

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

(i) Set corporate values and promote good corporate governance culture within our Group, which reinforces ethical, prudent and professional behaviour to ensure our obligations to shareholders and stakeholders are met;

(ii) Consider, vet, challenge, review and approve management's proposals for our Group on matters including but not limited to the overall corporate strategy, business plan, annual budgets and regulatory plan, and monitor its implementation by management;

(iii) Review and approve and oversee the implementation of strategic initiatives and business plans of our Group including corporate business restructuring or streamlining and strategic alliances, to ensure they support sustainability and long term value creation for our Group taking into consideration economic, environmental and social and governance (ESG) considerations;

(iv) Evaluate, modify (if deemed necessary) and approve modifications to the approved business plans and annual budgets (including capital expenditure budget) based on a fair evaluation and robust discussion of the underlying assumptions;

(v) Support the management on key stakeholder engagements related to initiatives critical to the success of the business, including but not limited to meeting facilitation with key clients, data providers, industry associations/representative bodies, as well as relevant government agencies and/or regulators;

(vi) Formulate, review, approve and ensure compliance of all major policies of our Group;

(vii) Ensure that all members of our Board and the management have the necessary skills and experience, and there are measures in place to provide for the orderly succession of our Board members and our Group Chief Executive Officer;

(viii) Oversee the conduct of our Group's business to evaluate, supervise and assess management performance, including:

    (a) Whether the business is being properly managed;

    (b) To evaluate and approve the selection and terms of reference of management;

(c) To define and approve Key Performance Indicators ("**KPIs**") for management performance measurement and evaluate their achievement against the agreed KPIs;

(d) To evaluate and approve management compensation;

(ix) Identify principal business risks faced by our Group and ensure the implementation of an appropriate internal controls and risk management framework to mitigate and address such risks;

(x) Set the risk appetite within which our Board expects management to operate, and ensure that there is an appropriate risk management framework and internal controls to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;

(xi) Establish the appropriate Board sub-committees where required, and be responsible for all decisions made by the sub-committees;

(xii) Review the adequacy and integrity of our Group's financial and non-financial reporting, internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines at least on a quarterly basis;

(xiii) Deliberate on proposals presented and recommended, including those proposed by our Board's sub-committees at least on a quarterly basis;

(xiv) Ensure that our Group has in place procedures to enable effective communication with our shareholders and stakeholders;

(xv) Review and approve the financial statements encompassing annual audited accounts, dividend policy, credit facilities from financial institutions and guarantees;

(xvi) Approve the appointment of all external advisers and their related advisory fees subject to the approved authorised limits; and

(xvii) Carry out or perform such other functions as deemed necessary in the discharge of its fiduciary duties under the relevant laws, rules and regulations.

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

(i) Providing leadership for our Board so that its members can perform its responsibilities effectively, this includes taking a leading role in establishing effective corporate governance system and practices;

(ii) Setting the board agenda for each board meeting, with the assistance of our company secretaries and our Group Chief Executive Officer;

(iii) Ensuring the provision of accurate, complete and timely information to the members of our Board to facilitate decision-making;

(iv) Promoting constructive and respectful relations between Board members and managing the interface between our Board and the management;

(v) Lead Board meetings and discussions by encouraging active participation and allowing dissenting views to be freely expressed;

(vi) Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to our Board as a whole;

(vii) Ensuring that prior to any new appointments to our Board, an assessment is undertaken on the candidate to ensure they have the necessary skills, expertise and diversity to carry out their fiduciary duty; and

(viii) Ensuring that succession planning of our Board and our Group Chief Executive Officer is considered on an ongoing basis.

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

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

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

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

9.2.1 Profiles of our Directors

(i) Tan Sri Izzuddin Bin Dali

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

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

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

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

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

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

(ii) Dato' Noorazman Bin Abd Aziz

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

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

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

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

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

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

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

(iii) Datuk Azizan Bin Haji Abd Rahman

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

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

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

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

(iv) Dennis Colin Martin

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

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

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

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

(v) Loh Kok Leong

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

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

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

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

(vi) Lynette Yeow Su-Yin

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

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

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

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

(vii) Nirmala A/P Doraisamay

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

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

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

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

(viii) Su Puay Leng

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

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

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

(ix) Wong Pau Min

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

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

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

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

9.2.2 Shareholding of our Directors

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

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

Notes:

* Negligible.

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

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

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

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

(i) Tan Sri Izzuddin Bin Dali

Name of company	Principal activities	Involvement in business activities
• Prima Gading Corporation Sdn Bhd	• Provision and management of education and training services	• Chairman and director (appointed on 29 February 2012) • Substantial shareholder (direct)
• TCS Group Holdings Berhad (listed on the ACE Market of Bursa Securities)	• Investment holding and provision of management services to its subsidiaries, with its subsidiaries involved in provision of construction services for buildings, infrastructure, civil and structural works	• Chairman and director (appointed on 30 May 2019) • Shareholder (direct)
• The Solid Kitchen Manufacturing Sdn Bhd (formerly known as The Solid Kitchen Centre Sdn Bhd)	• Kitchen design and interior decoration	• Director (appointed on 28 December 2020)
• Smart Scholars Sdn Bhd	• Education and learning centre	• Director (appointed on 29 April 2011, resigned on 1 April 2021)
• Bina Masyhur Sdn Bhd	• Pavement works and road construction	• Director (appointed on 1 August 2009, resigned on 1 May 2019)
• MMSB Projects Sdn Bhd	• Project management and consulting	• Chairman (appointed on 1 October 2015)* • Director (appointed on 1 October 2015, resigned on 12 April 2019)

*Not a director under the Act.

Name of company	Principal activities	Involvement in business activities
• Naim Holdings Berhad (listed on the Main Market of Bursa Securities)	• Investment holding and the provision of management services to its subsidiaries, with its subsidiaries involved in property development, civil, building and earthwork contractor and investment holding	• Director (appointed on 27 February 2013, resigned on 26 May 2016)
• Sinohydro Corporation (M) Sdn Bhd	• Civil works, contractor on civil engineering design, consultant for hydropower, dredging, reclamation and quarry operation	• Director (appointed on 1 November 2013, resigned on 1 November 2016)

(ii) Dato' Noorazman Bin Abd Aziz

Name of company	Principal activities	Involvement in business activities
• Hong Leong Financial Group Berhad (listed on the Main Market of Bursa Securities)	• Investment holding and provision of services to its subsidiaries to enhance group value, with its subsidiaries involved in the commercial banking business, Islamic banking services, insurance and family takaful business, investment banking, futures and stock broking and asset management business	• Director (appointed on 20 April 2020)
• Kumpulan Perangsang Selangor Berhad (listed on the Main Market of Bursa Securities)	• Investment holding, with its subsidiaries involved in buildings and road construction	• Director (appointed on 1 January 2020)
• PLUS Malaysia Berhad	• Investment holding with its subsidiaries involved in highway concessionaires and related services	• Director (appointed on 1 October 2018)

Name of company	Principal activities	Involvement in business activities
• UEM Edgenta Berhad (listed on the Main Market of Bursa Securities)	• Investment holding and provision of management services to its subsidiaries, with its subsidiaries involved in construction and management of real estate	• Director (appointed on 2 October 2018)
• UEM Sunrise Berhad (listed on the Main Market of Bursa Securities)	• Investment holding and provides shared services for its subsidiaries, with its subsidiaries involved in property development, land trading, property investment, project procurement and management, hotel operations and investment holding	• Chairman (appointed on 13 August 2020) • Director (appointed on 1 October 2018)
• Three Cube Interactive Sdn Bhd	• Multimedia development and advertising of digital contents	• Director (appointed on 23 January 2019)
• Versa Asia Sdn Bhd	• Investment holding, research and development on engineering and technology, computer programming	• Director (appointed on 16 March 2020)
• Smartpipe Technology Sdn Bhd	• Contractors and subcontractors for the laying of pipes for all kinds of constructional, structural and civil engineering works	• Director (appointed on 27 August 2020)
• Kumpulan Wang Persaraan (Diperbadankan) (KWAP)	• Public services pension fund	• Member of the Investment Panel (appointed on 3 July 2019)
• Creador	• Provision of business consultancy services to its related companies	• Member of global advisory board (appointed on 29 October 2019)

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

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

(iii) Datuk Azizan Bin Haji Abd Rahman

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

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

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

(iv) Dennis Colin Martin

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

(v) Loh Kok Leong

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

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

Note:

* There is no immediate plan for this company currently.

(vi) Lynette Yeow Su-Yin

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

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

(vii) Nirmala A/P Doraisamy

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

(viii) Su Puay Leng

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

(ix) Wong Pau Min

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

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

9.2.4 Service contracts with our Directors

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

9.2.5 Remuneration and material benefits in-kind of our Directors

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

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

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

Note:

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

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

9.2.6 Audit and Risk Committee

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

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

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

(i) Risk Management

(a) Develop and inculcate a risk awareness culture within our Group;

(b) Provide input to management regarding our Group's risk appetite and risk tolerance;

(c) Provide in-depth governance of risks for our Group;

(d) Review and robustly assess the design, completeness and effectiveness of the risk management framework relative to our Group's activities to ensure key risks are systematically identified, monitored and controlled;

(e) Oversee specific risk management concerns raised by business units;

(f) Regularly review risk management and assurance reports from management and the appointed risk manager on matter relating to risk management as our Board may request from time to time;

(g) Monitor and ensure the timeliness of and reports on the effectiveness of corrective action taken;

(h) Ensure resources and systems are in place for the risk management function; and

(i) Review the implementation and adequacy of our Group's business continuity plan.

(ii) Internal Controls

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

(b) Provide oversight of sustainability reporting by ensuring the effective identification, management and reporting of material sustainability matters (i.e. risks and opportunities) affecting the economic, environmental and social aspects of our Group's businesses towards achievement of sustainability goals across our Group;

(c) Review the annual Statement on Risk Management and Internal Control and Sustainability Reporting to be published in our Company's annual report; and

(d) Review the employees' code of business practice, vendors' code of business practice, the whistle-blowing policy and the outcome of any defalcation cases investigated.

(iii) Internal Audit

(a) Mandate the internal audit department or internal audit service providers to report directly to our Audit and Risk Committee;

(b) Review the adequacy of the scope, functions, competency and resources of the internal audit and compliance functions, and that each function has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;

(c) Review internal audit reports, discuss major findings and deficiencies in internal controls and ensure that appropriate and prompt remedial action is taken by the management on lapses in internal controls or procedures that are identified by internal audit;

(d) Review the results of ad-hoc investigations performed by the internal auditors and the actions taken relating to those investigations;

(e) Review the results of internal assessment performed on the internal audit function;

(f) Review the results of the external assessment performed on the internal audit function;

(g) Review any difficulties encountered in the course of audit or compliance work, including any restrictions on the scope of activities or access to required information;

(h) Review and challenge the internal audit charter, internal audit annual budget, audit and compliance plans and audit methodology, to the extent applicable and ensure adequacy of their scopes, robustness in the planning process and sufficient resources to implement the plans independently and objectively, and that they have the necessary authority to carry out their work;

(i) Approve the internal audit charter, when applicable, which defines the purpose, authority, scope and responsibilities of the internal audit function within our Group;

(j) Approve any appointment or termination of internal audit service provider or senior staff members of the internal audit function, namely our Head of Internal Auditor and his/her deputy, if any;

(k) Review the appraisal or assessment of performance of the Head of Internal Auditor and his/her deputy, if applicable;

(l) Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

(m) Direct any special investigations to be carried out by internal audit as and when necessary and consider the major findings of the internal investigations and management's response; and

(n) Review our Audit and Risk Committee Report to be published in our Company's annual report.

(iv) External Audit

(a) Consider and make recommendations to our Board in relation to the nomination and re-appointment of the external auditors, audit fees, resignation or dismissal of the external auditors, by reviewing the engagement, compensation, performance, qualifications and independence of the external auditors, its conduct of the annual statutory audit of the financial statements, and the engagement of external auditors for all other services;

(b) Monitor the effectiveness of the external auditors' performance and their independence and objectivity;

(c) Discuss with the external auditors before the audit commences, the nature and scope of the audit, the audit plan, and ensure co-ordination where more than one audit firm is involved;

(d) Review major findings raised by the external auditors including the external auditors' management letter and management's responses, including the status of the previous audit recommendations;

(e) Discuss audit findings arising from the interim and final audits, and any matter the external auditors may wish to discuss (in absence of management or executive directors, at least twice a year or where necessary);

(f) Provide a direct line of communication between our Board and the external auditors;

(g) Review the extent of assistance and co-operation extended by our Group's employees to the external auditors, including any difficulties or disputes with management encountered during the audit;

(h) Review and monitor the provision of non-audit services by the external auditors; and

(i) Responsible for requiring our Company's external auditors to submit on a periodic basis to our Audit and Risk Committee a formal written statement delineating all relationships between the external auditors and our Company, consistent with International Standard on Auditing (ISA) 260, "Communication with Those Charged with Governance" modified as appropriate based on the Malaysian guidelines for auditors independence, and to obtain confirmation from them that they are and have been, independent throughout the conduct of the audit engagement.

(v) Compliance

(a) The adequacy of the processes and systems in place across our Company or Group to ensure compliance with all laws, regulations and rules established by all relevant regulatory bodies including without limitation the CRA Registrar, BNM, the Malaysian Anti-Corruption Commission and the Competition Commission;

(b) Review all findings arising from any examinations by regulatory authorities;

(c) Obtain updates from our management and our legal counsel regarding regulatory compliance matters;

(d) Review and consider any related party transaction and conflict of interest situation that may arise within our Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(e) Review the annual internal and external audit reports on matters relating to compliance;

(f) Assess the performance of our Heads of Departments on annual basis; and

(g) Consider any material breaches or exposure to breaches of regulatory requirements, including our Group's Anti-Bribery and Corruption Policy.

(vi) Related Party Transactions and Conflict of Interest

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

(b) Review the process used to procure our shareholders' mandate for recurrent related party transactions.

(vii) Whistleblowing

(a) Our Audit and Risk Committee shall exercise its powers and carry out its responsibilities as may be required from time to time under the Whistleblower Policy and Procedures for our Group; and

(b) Our Audit and Risk Committee shall report to our Board any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of our Board.

(viii) Other Responsibilities

(a) Review and assess the adequacy of the terms of reference (where necessary), with the assistance of management, the external auditors and legal counsel; and

(b) Perform any other duties as may be mutually agreed by our Audit and Risk Committee and our Board from time to time.

9.2.7 Nomination and Remuneration Committee

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

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

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

(i) Nomination

(a) Establish a framework for the appointment and re-appointment of Directors, Board committee members, our Group Chief Executive Officer and the company secretaries (where applicable);

(b) Establish and recommend for our Board's approval, the criteria to assess the independence of independent directors;

(c) Assess and recommend for our Board's approval, new and reappointed nominees (where applicable) for directorship, chairmanship and/or membership to our respective Board committees;

(d) In recommending suitable candidates for directorship on our Board, our Nomination and Remuneration Committee should take into consideration the following factors:

(A) Skills, knowledge, expertise, experience and wide range of backgrounds of the candidates;

(B) Professionalism of the candidates;

(C) Integrity of the candidates;

(D) Commitment, contribution and performance of the candidates;

(E) Open advertising or the services of external advisers to facilitate the search;

(F) In the case of candidates for the position of independent directors, evaluate the candidates' ability to discharge such responsibilities and functions as expected from an independent director; and

(G) In the case of candidates filling seats in respect of our Audit and Risk Committee in particular, to ensure the candidate is financially literate and possesses a wide range of necessary skills to discharge his/her duties;

(e) Review on a periodic basis, the appropriate size, a balanced composition with a diverse mix of skills, knowledge, qualifications, experience, age, cultural background and gender diversity of our Board in order to ensure its effectiveness in discharging its duties, and having regard to the MCCG;

(f) Assess on a periodic basis the independence of independent directors and that the Directors and officers of our Group meet the identified independence criteria and are not disqualified under the relevant regulations;

(g) Review and recommend the continuation in office of independent director(s) who has/have served a cumulative term of nine years as an independent director at our AGM;

(h) Establish and recommend for our Board's approval, a mechanism for the formal assessment of the performance of our Board as a whole, our Board committees, individual Directors, each member of our Board committees and our Group Chief Executive Officer;

(i) Assisting in the definition and approval of KPIs for our Group Chief Executive Officer as a measurement of performance;

(j) Assess on a periodic basis, our Group Chief Executive Officer's performance and achievement against the approved KPIs;

(k) Recommend to our Board, the removal of any director, company secretary or member of the C-level Team found to be ineffective, errant or negligent in the discharge of responsibilities;

(l) Recommend to our Board, Directors who are retiring by rotation or casual vacancy for re-election at our AGM;

(m) Recommend to our Board suitable induction and training programs to ensure our Directors and Board committee members keep abreast with latest developments and for the closure of skill gaps;

(n) Oversee the succession planning and talent management of our Group Chief Executive Officer;

(o) Consider all other nomination matters as may be prescribed to our Nomination and Remuneration Committee by our Board;

(p) Review the attendance of our Directors at our Board and/or Board committee(s) meetings; and

(q) Establish a policy formalising its approach to boardroom diversity.

(ii) Remuneration

(a) Ensure the establishment of formal and transparent procedures for developing remuneration and human resources policies, strategies and framework for our Directors and the C-level Team;

(b) Recommend and assist our Board on all aspects of remuneration, including our Directors' fees, salaries, allowances, bonuses, option and benefits-in-kind, taking into consideration the following factors (where relevant):

(A) Market competitiveness and in support of our Group's business strategy and long-term objectives;

(B) Reflective of the responsibilities and commitment required;

(C) Sufficient but not excessive to attract and retain quality talent needed to manage our Group successfully; and

(D) Performance driven with a sufficient emphasis on long-term development of our Group to avoid any excessive short-term risk-taking;

(c) Review and assess the effectiveness of our Company's human resources department in supporting our Group, including oversight of the scope and quality of our Company's human resources initiatives/programmes;

(d) Recommend for our Board's approval, new Group human resource policies and frameworks, and changes to said frameworks, in line with human resources strategy and direction set by our Board; and

(e) Consider all other remuneration matters as may be prescribed to our Nomination and Remuneration Committee by our Board.

9.3 KEY SENIOR MANAGEMENT

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

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

9.3.1 Profiles of our key senior management

(i) Dennis Colin Martin

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

(ii) Chin Kuan Weng

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

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

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

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

(iii) Chen Thai Foong

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

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

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

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

(iv) Tracy Gan Jo Lin

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

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

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

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

(v) Lim Sue Ling

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

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

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

(vi) Benjamin Lau Chi Meng

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

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

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

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

9.3.2 Shareholding of our key senior management

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

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

Notes:

* Negligible

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

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

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

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

9.3.4 Service contracts with our key senior management

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

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

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

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

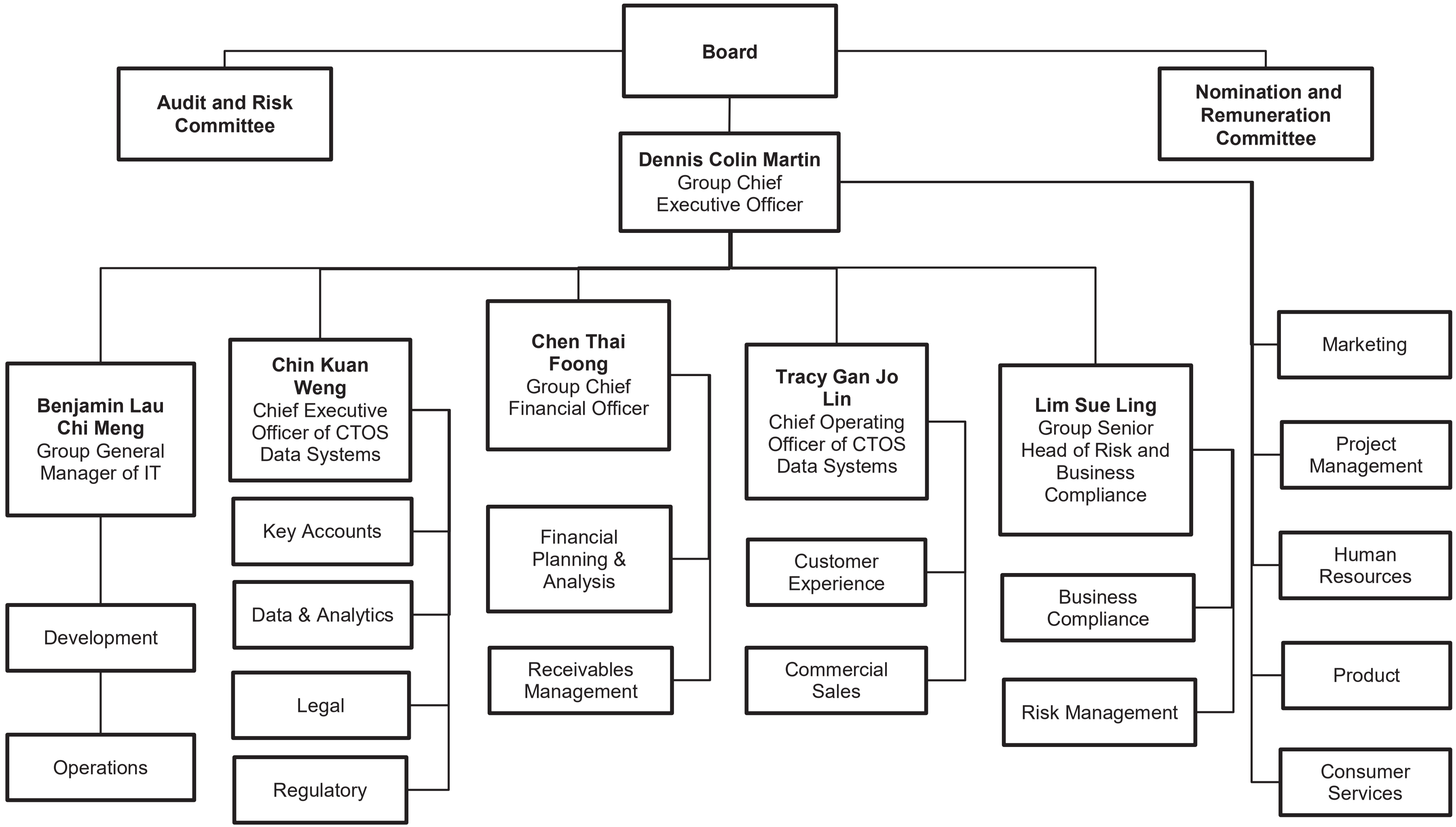
Note:

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

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

9.4 MANAGEMENT REPORTING STRUCTURE

Our management reporting structure is as follows:



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

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

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

9.6 DECLARATION BY OUR DIRECTORS, KEY SENIOR MANAGEMENT AND PROMOTER

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

(i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which such person was a partner or any corporation of which such person was a director or member of key senior management;

(ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) in the last 10 years, any judgment was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;

(v) in the last 10 years, the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;

(vi) the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining such person from engaging in any type of business practice or activity;

(vii) in the last 10 years, such person has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and

(viii) any unsatisfied judgment against such person.

9.7 OTHER MATTERS

(i) No other amounts or benefits has been paid or intended to be paid or given to our Promoter and our substantial shareholders within the two years preceding the date of this Prospectus, except for dividends paid to our shareholders.

(ii) There is no arrangement the operation of which may result in the change in control of our Company at a date subsequent to our IPO and our Listing.

(iii) Our Promoter and our substantial shareholders do not have different voting rights from our other shareholders.

10. RELATED PARTY TRANSACTIONS

10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

10.1.1 Related party transactions

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

(i) a director, having the meaning given in subsection 2(1) of the CMSA, and includes any person who is or was within the preceding six months of the date in which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or

(ii) a major shareholder, and includes any person who is or was within the preceding six months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiaries or holding company, and has or had an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:

(a) 10.0% or more of all the voting shares in the corporation; or

(b) 5.0% or more of all the voting shares in the corporation where such person is the largest shareholder of the corporation; or

(iii) a person connected with such director or major shareholder.

10.1.2 Material related party transactions

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

(i) Creador, being a person connected to our directors, Loh Kok Leong and Wong Pau Min, provided certain support services to CTOS Data Systems pursuant to the Expense Reimbursement Agreement comprising the following:

(a) advice and counsel in connection with the financial management, and administrative and operating activities of CTOS Data Systems;

(b) identifying potential value enhancement opportunities and developing value enhancement plan for CTOS Data Systems;

(c) identifying strategic opportunities including strategic alliances, joint ventures and acquisitions;

(d) providing execution support to CTOS Data Systems' management team; and

(e) providing ad hoc support when required.

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

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

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

(a) the specific nature and varied scope of the services provided under the Expense Reimbursement Agreement do not facilitate direct comparison to other third-party contracts in our Group; and

(b) the payments made to Creador are essentially reimbursements which have been incurred by Creador for (i) the deployment of personnel and engagement of an external consultant by Creador to provide services to CTOS Data Systems, which is akin to payment of employee salaries by CTOS Data Systems; and (ii) reimbursement of other out-of-pocket expenses incurred by such personnel.

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

(a) the support and assistance rendered by Creador have been instrumental in propelling the growth and expansion of our Group; and

(b) the management of CTOS Data Systems was able to leverage on the experience, expertise and resources of Creador.

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

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

Note:

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

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

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

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

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

Notes:

(1) Represents 0.8% of our Group's purchases for the FYE 31 December 2018.

(2) Represents 2.2% of our Group's purchases for the FYE 31 December 2019.

(3) Represents 2.4% of our Group's purchases for the FYE 31 December 2020.

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

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

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

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

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

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

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

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

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

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.2.1 Audit and Risk Committee review

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

(i) the rationale and the cost/benefit to our Company is first considered;

(ii) where possible, comparative quotes will be taken into consideration;

(iii) that the transactions are based on normal commercial terms and not more favourable to the related parties than those generally available to third parties dealing on an arm's length basis; and

(iv) that the transactions are not detrimental to our Company's minority shareholders.

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

10.2.2 Our Group's policy on related party transactions

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

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

(i) our Board shall ensure that majority of our Board members are independent directors and will undertake an annual assessment of our Independent Directors;

(ii) our Directors will be required to declare any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction; and

(iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Committee for evaluation and assessment who would in turn, make a recommendation to our Board.

11. CONFLICT OF INTEREST

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

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

11.1.1 Substantial shareholders' interest in our supplier

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

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

(i) our substantial shareholders' policy or objective for their interests in Credisense is only for investment purposes and their role or action is limited to formulating corporate or business strategies for Credisense which do not result in any conflict with our business or operations;

(ii) our substantial shareholders are not involved in the day-to-day management of Credisense as Credisense has its own independent and standalone management team to undertake its day-to-day management or operations; and

(iii) our substantial shareholders do not have control over the board of directors of Credisense which comprises three directors as our substantial shareholders only have one representative.

11.1.2 Substantial shareholders' and Director's interest in CIBI

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

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

(i) our current operations are in Malaysia while CIBI operates only in the Philippines. Accordingly, due to geographical boundaries, CIBI has a distinct and separate customer base and market, and as a result, CIBI does not compete for the same customers as us;

(ii) given that our operations in Malaysia are highly regulated and are subject to regulatory oversight by the CRA Registrar, there are high barriers to entry of the credit reporting industry in Malaysia by other foreign credit information bureaux, including CIBI;

(iii) the involvement of our substantial shareholders and Director in CIBI does not in any manner affect our future plan to pursue acquisitions and investments in any country in the Asia Pacific region given that the Philippines is not an area of focus of ours in the near term and on the other hand, CIBI's current plan is to focus on the customer base and market in the Philippines;

(iv) our substantial shareholder, Inodes, had also on 23 April 2021 granted us with a right of first offer ("**ROFO**") where if Inodes wishes to sell, assign, pledge, charge, grant or agree to grant any option or right to purchase or otherwise transfer or dispose of (collectively, "**Transfer**") its ordinary shares in CIBI Holdings or any interest therein to a third party, Inodes must first make an offer to us and only upon us declining such offer, Inodes can Transfer their respective interest in the ordinary shares in CIBI Holdings to a third party with terms not more favourable to the relevant third party. In addition, so long as the ROFO remains in effect, Inodes shall ensure that CIBI Holdings shall not Transfer its 51.0% equity interest in CIBI to any other party and procure CIBI to focus on the customer base and market in the Philippines;

(v) our substantial shareholders' interests in CIBI are only for investment purposes which do not result in any conflict with our business or operations; and

(vi) our substantial shareholders and Director are not involved in the day-to-day management of CIBI as CIBI has its own independent and standalone management team to undertake its day-to-day management or operations. Further, Wong Pau Min's role in CIBI is limited to attending board meetings and monthly committee meetings, during which he serves and discharges his principal role and duty as a director of CIBI, including to advise on the formulation of corporate or business strategies for CIBI.

11.2 DECLARATION BY ADVISERS ON CONFLICTS OF INTEREST

11.2.1 Declaration by Maybank IB

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

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

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

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

(i) the services provided by our Group to the Maybank Group arose in the ordinary course of business of the Maybank Group;

(ii) the conduct of the Maybank Group in its banking business is strictly regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013 and the Maybank Group's own internal controls and checks; and

(iii) the amount transacted with our Group for the FYE 31 December 2020 is not material when compared to the audited consolidated profit after tax and non-controlling interests of Malayan Banking Berhad for the FYE 31 December 2020 of RM6.5 billion.

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

11.2.2 Declaration by RHB IB

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

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

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

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

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

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

(i) RHB IB is a licensed investment bank and its IPO Appointment is in the ordinary course of its business. RHB IB does not receive or derive any financial interest or benefit save for the professional fees received in relation to its IPO Appointment;

(ii) the corporate finance division and mergers and acquisition division of RHB IB are required under its investment banking license to comply with strict policies and guidelines issued by the SC, Bursa Securities and BNM governing its advisory operations. These guidelines require, among others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations. Further, there is no involvement by the corporate finance division and mergers and acquisition division of RHB IB in respect of any credit facilities application process undertaken by other departments within the RHB Banking Group;

(iii) the credit facilities were provided by the RHB Banking Group on an arms' length basis and in its ordinary course of business, and the said credit facilities are not material when compared to the audited NA of the RHB Banking Group as at 31 December 2020 of approximately RM27.0 billion (representing approximately 0.8% of the RHB Banking Group's audited NA); and

(iv) the conduct of the RHB Banking Group including RHB Bank in its banking business is strictly regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013, CMSA and the RHB Banking Group's own internal controls and checks which includes, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees.

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

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

11.2.3 Declaration by Credit Suisse

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

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

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

11.2.4 Declaration by AmInvestment Bank

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

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

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

11.2.5 Declaration by PricewaterhouseCoopers PLT

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

11.2.6 Declaration by Adnan Sundra & Low

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

11.2.7 Declaration by Latham & Watkins LLP

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

11.2.8 Declaration by Chooi & Company + Cheang & Ariff

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

11.2.9 Declaration by Allen & Overy LLP

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

11.2.10 Declaration by IDC Research

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

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

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

(i) Audited financial statements of Enfo for the FYE 31 December 2018 have been prepared in accordance with Malaysian Private Entities Reporting Standard ("**MPERS**"); and

(ii) Audited financial statements of Basis for the FYEs 30 June 2018, 30 June 2019 and 30 June 2020 have been prepared in accordance with MPERS.

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

Selected financial information from the historical consolidated statements of comprehensive income

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

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

Notes:

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

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

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

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

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

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

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

(3) Calculated as GP divided by revenue.

(4) Calculated as EBITDA divided by revenue.

(5) Calculated as PBT divided by revenue.

(6) Our subsidiary, CTOS Data Systems, the main contributor to our Group's income, is entitled to pioneer status incentives under the PIA 1986 for MSC Malaysia Qualifying Activities. As a result, our effective tax rate has been significantly lower than the statutory tax rate of 24.0% in Malaysia. The tax relief period under CTOS Data Systems' MSC Pioneer Certificate is from 9 November 2016 to 8 November 2021. However, pursuant to the Grandfathering and Transitional Guidelines which became effective on 1 January 2019, such tax relief period will be until 30 June 2021. For more information, see Section 12.2.2 of this Prospectus and Note 2.9 of the Accountants' Report in Section 13 of this Prospectus.

(7) Calculated as profit for the financial year attributable to owners of our Company divided by revenue.

(8) Calculated as Normalised PATAMI divided by revenue.

(9) Calculated as profit for the financial year attributable to owners of our Company divided by our enlarged issued share capital of 2,200,000,000 Shares upon Listing.

Selected financial information from the historical consolidated statements of financial position

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

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

Note:

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

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

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

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

12.2.1 Overview

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

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

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

12.2.2 Significant factors affecting our financial condition and results of operations

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

General economic conditions

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

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

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

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

Acquisitions of assets and companies

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

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

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

Due to our acquisition of CIBI in June 2020, our consolidated statements of comprehensive income for the FYE 31 December 2020 include CIBI's revenue of RM7.3 million and net loss of RM2.5 million for the period from the date of acquisition through 31 December 2020. As set out in Note 2.36 of the Accountants' Report in Section 13 of this Prospectus, if the acquisition had occurred on 1 January 2020, our consolidated revenue for the FYE 31 December 2020 would have increased to RM147.5 million and our profit for the FYE 31 December 2020 would have decreased to RM36.8 million. Our results of operations for the FYE 31 December 2020 and the FYE 31 December 2021 are not comparable to each other because our results for each of the financial years included the financial data of CIBI over different periods of time that CIBI was part of our Group, nor are our results of operations for these years comparable to our results of operations for preceding and future years.

Our investments in Experian and BOL in the FYEs 31 December 2019 and 31 December 2020, respectively, were recorded as investments in associates in our consolidated statements of financial position, which resulted in a significant increase in our non-current assets as at 31 December 2019 and 31 December 2020 compared to 31 December 2018. We also recorded marginal increases for PBT in the FYEs 31 December 2019 and 31 December 2020 compared to the FYE 31 December 2018 due to share of profits of associates related to these investments. Our consolidated financial statements for the FYE 31 December 2021 will include the results of operations of Basis since we completed the acquisition on 4 January 2021. We expect revenue from Basis to be classified as revenue from our Commercial – International customers. In addition, we expect our acquisitions to result in an increase in our non-current assets as a result of the recording of goodwill.

Our financial statements for prior years may not be comparable with our financial statements following a significant acquisition. In addition, our historical financial statements may not be indicative of our future performance or financial condition. For more information on our material acquisitions and divestitures, see Section 12.2.8 of this Prospectus.

Regulatory requirements

The credit reporting industry is highly regulated. We derive substantially all of our revenue from our credit reporting business in Malaysia, which is governed by the CRA Act. Because CTOS Data Systems' and Basis' credit reporting operations are subject to the scrutiny of the CRA Registrar, CTOS Data Systems and Basis are required to obtain the endorsement of the CRA Registrar prior to launching any new digital solution to ensure the digital solution falls under the ambit of "credit reporting business" as defined under the CRA Act. The CRA Registrar's ongoing oversight of our industry and resulting changes in regulations can also affect our results of operations, including by impacting our business model or requiring our management and personnel to dedicate additional time towards compliance activities. In 2018, to comply with the CRA Registrar's interpretation of applicable guidelines, we revised our eTR pricing strategy to adopt our current model, whereby customers pay a monthly fee to access and upload trade reference records to our eTR database depending on the amount of uploads they require.

Our results of operations are also indirectly impacted by the regulatory environment in which our customers operate. In particular, our Key Accounts customers include banks, non-bank financial institutions and insurance companies that operate in highly regulated industries. In view of our customers' regulatory requirements, from time to time we; (i) enhance our digital solutions or processes; or (ii) implement additional or different technologies or protocols, based on regulatory requirements applicable to our customers, which increases our cost of sales and adversely impacts our profit margin.

In respect of our other digital solutions involving the processing of personal data not related to credit information, we are subject to the PDPA in Malaysia and our practice is to obtain the endorsement of the PDP Commissioner before releasing such digital solutions. Our associate, Experian, is also subject to the PDPA in Malaysia for the processing of personal data not related to credit information. Similarly, operations of our associate, BOL, are subject to the Thai PDPA in Thailand. These laws and regulations are complex, subject to change and could become more stringent over time. For more information, see Sections 5.1.1 and 7.19 of this Prospectus.

MSC Malaysia Status and pioneer status

Our subsidiary, CTOS Data Systems, which accounted for 98.7%, 99.8% and 95.1% of our Group's PATAMI for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, respectively, has been awarded pioneer status incentives under the PIA 1986 for MSC Malaysia Qualifying Activities. CTOS Data Systems is entitled to a tax exemption, for the tax relief period granted, on its "value added income", which means its statutory income for the basis period for the year of assessment less the inflation adjusted base income.

CTOS Data Systems' statutory income is income derived from MSC Malaysia Qualifying Activities. Inflation adjusted base income is calculated with reference to CTOS Data Systems' average statutory income for up to three years before it was awarded pioneer status incentives adjusted with the rate of inflation for the basis year. As a result, our effective tax rate for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 of 6.7%, 5.4% and 5.8%, respectively, has been significantly lower than the statutory tax rate of 24.0% in Malaysia.

The tax relief period under CTOS Data Systems' MSC Pioneer Certificate is from 9 November 2016 to 8 November 2021. However, pursuant to the Grandfathering and Transitional Guidelines which became effective on 1 January 2019, such tax relief period will be until 30 June 2021. CTOS Data Systems requires approval from MDEC to enjoy these tax incentives throughout the Transitional Period. CTOS Data Systems had submitted the application for MDEC's approval for the continuation of these tax incentives throughout the Transitional Period on 22 June 2021. While there is no assurance that we will be able to obtain MDEC's approval by 30 June 2021 for the continuation of these tax incentives throughout the Transitional Period, should we obtain such approval after 1 July 2021, the tax relief period will continue from 1 July 2021 until 8 November 2021 even if the tax relief period has expired on 30 June 2021. We also plan to seek MDEC's renewal of CTOS Data Systems' pioneer status in the third quarter of 2021 for an extended relief period of five years until November 2026. See also Section 5.1.4 of this Prospectus for further details in relation to the risk if we are unable to maintain our pioneer status.

12.2.3 Business update regarding the COVID-19 pandemic

The COVID-19 pandemic has impacted economic activity and financial markets in countries across the world, including Malaysia and Thailand. In response to an increase in the COVID-19 infection rate, governments around the world have imposed various restrictions on the conduct of activities such as shutdowns and travel restrictions.

Malaysia

In response to an increase in the COVID-19 infection rate in Malaysia, beginning in March 2020, the Government implemented various measures and restrictions on the conduct of activities in Malaysia, including quarantine measures and restrictions on the movement of persons, interstate travel and private and public gatherings.

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

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

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

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

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

Thailand

As at the LPD, the COVID-19 pandemic has not resulted in any material disruptions to BOL's operations in Thailand.

For more information on the impact of the COVID-19 pandemic on our business, see Section 5.1.8 and Section 7.24 of this Prospectus.

12.2.4 Critical accounting estimates and judgments

The preparation of our financial statements in accordance with MFRS and IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities as at the reporting date. Actual results may differ from these estimates.

We review our estimates and underlying assumptions periodically. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

We believe that there are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in our financial statements, other than those as set out below. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Intangible assets – Goodwill

We test goodwill for impairment annually in accordance with our accounting policy or more frequently if events or change in circumstances indicate that this is necessary within the financial year. The recoverable amount is measured at the higher of the fair value less costs to sell and value in use. These calculations require the use of estimates. The calculations are inherently judgemental and susceptible to change from period to period because they require us to make assumptions about revenue growth, an appropriate discount rate and terminal growth rate. No impairment charge was recognised because the recoverable amount exceeded its carrying amount. The assumptions used and sensitivities of the impairment assessment of goodwill are set out in Note 2.12 of the Accountants' Report in Section 13 of this Prospectus.

Allowance for impairment of receivables

We apply the MFRS 9 'Financial Instruments' simplified approach of measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are determined based on three years historical ageing profile and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Such allowance is adjusted periodically to reflect the actual and anticipated impairment.

Employee share option scheme

We implemented the ESOS on 1 January 2015. Under the ESOS, we received services from employees as consideration for equity instruments of our Company. We measured the equity-settled share-based payments by reference to the fair value of the equity instruments at the date which they are granted and revise the estimated number of shares that are expected to vest at the end of the reporting period. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model (i.e. Black-Scholes simulation model). Significant judgment is required in determining the vesting period which is based on the trigger event. The estimate requires determining the most appropriate inputs to the valuation model including the vesting period of the ESOS, volatility and dividend yield and making assumptions about them which are set out in Note 2.32 of the Accountants' Report in Section 13 of this Prospectus.

During the FYE 31 December 2020, our Company cancelled all outstanding ESOS options that were granted in prior years, and our Group recognised RM3.3 million of share-based payment expense immediately in our statement of comprehensive income and terminated the ESOS. The ESOS options granted in the FYE 31 December 2020 were cancelled by forfeiture as the vesting conditions were not met and no share-based payment expense was recognised. As part of the cancellation, RM0.1 million was payable in total as at 31 December 2020 to all the eligible executives whose ESOS options were cancelled, which was accounted for as a repurchase of equity interest and deducted from the share-based payment reserve accordingly. The RM0.1 million was recognised within other payables as at 31 December 2020 and paid in January 2021 to these eligible executives.

Revenue from customer contracts

The accounting of our eKYC contracts and CAD contracts requires management to make judgments, estimates and assumptions, and therefore they are discussed below.

Identification of performance obligations

The various models of the eKYC contracts and certain types of CAD contracts are considered to be bundled digital solutions that consist of multiple products and services promised to the customers. We account for individual products and services separately as separate performance obligations if they are distinct promised products and services, that is, if a product or service is separately identifiable from other items in the bundled digital solution and if a customer can benefit from it separately. We exercise judgement in determining whether the products and services are considered distinct and are separate performance obligations for the eKYC and CAD revenue contracts. This determination will affect the allocation of consideration in the contract and revenue recognised for each performance obligation.

We recognise revenue at a point in time or over time depending on when the control over the provision of services are transferred to our customers. We also exercise judgement on the timing when the control is transferred to determine the timing of recognition.

Determining stand-alone selling price

We exercise judgement in estimating the stand-alone selling price of each performance obligation in the eKYC and CAD revenue contracts, given that stand-alone selling prices for products and services are not directly observable in the market. We use a cost plus margin approach, by incorporating the expected cost of satisfying a performance obligation and an appropriate margin for the particular product or service.

Determining transaction price

We have determined the volume of transactions that are highly probable for each revenue contract as the basis to estimate the variable volume and consideration in determining the variable consideration it will be entitled to from respective contracts. The estimates of variable consideration should be updated at the end of each reporting period and any changes are accounted for as a change in estimates (adjustments to revenue) in the period in which the transaction price changes.

12.2.5 Results of operations

Principal components of our consolidated statements of comprehensive Income

Revenue

We generate our revenue from the provision of credit information and analytical solutions to our customers. Our digital solutions currently serve three types of customers: Key Accounts, Commercial and Direct-to-Consumer. We also generated revenue from International B2B customers after our acquisition of a 51.0% equity interest in CIBI in June 2020 until the removal of our entire 51.0% equity interest in CIBI from CTOS Digital via the Distribution on 15 June 2021.

We generate revenue from our Key Accounts customers primarily through fees that we charge for providing digital solutions to our Key Accounts customers, including tailored solutions depending on their unique business requirements. These contracts are generally for a fixed term, typically one to three years, and renewed upon expiry. Over 99% of our Key Accounts revenue is generated by CTOS Data Systems. We have a 100.0% Key Accounts customer retention rate since 2017 in terms of CTOS Data Systems' customers. Some of our contracts include minimum commitments from customers. We also generate revenue from our Key Accounts customers from various licence, set-up and maintenance fees for our digital solutions.

We generate revenue from our Commercial customers primarily through subscription fees that customers pay for access to our digital platform, CTOS Credit Manager. We also generate revenue from fees that we charge for our digital solutions and services that our customers purchase, including access to our eTR database and trade reference profiles uploading to our eTR database, as well as purchases of our various CTOS Data Systems Reports, CTOS Basis Reports (following our acquisition of Basis in January 2021) and External Reports.

We generate revenue from our Direct-to-Consumer customers primarily from the sale of MyCTOS Score Reports through our website and through authorised reseller agents.

We generated revenue from our International B2B customers primarily through fees that customers paid to access CIBI's digital solutions.

The following table sets out a breakdown of our revenue by type of customer for the financial years indicated:

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

Note:

(1) Percentage of revenue.

For the FYEs 31 December 2018 and 31 December 2019, all of our revenue was generated in Malaysia. For the FYE 31 December 2020, RM133.2 million or 94.8% of our revenue was generated in Malaysia while RM7.3 million or 5.2% was generated in the Philippines.

Cost of sales

Our cost of sales primarily comprises (i) data acquisition costs for information for our databases, (ii) fees paid to vendors and service providers for licences, royalties and services to support our digital solutions; and (iii) costs of reports purchased from third parties.

For the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, our cost of sales was RM17.5 million, RM21.6 million and RM19.1 million, respectively. Cost of sales of CIBI accounted for 8.1% of our total cost of sales for the FYE 31 December 2020.

Other income

Our other income primarily comprises interest income from financial assets, which mainly consists of cash and bank balances, foreign exchange gains and losses, and gains and losses on disposal of property, plant and equipment.

For the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, our other income was RM0.2 million, RM57,000 and RM0.2 million respectively.

Selling and marketing expenses

Our selling and marketing expenses comprise staff cost and advertising, promotion and sales commission expenses. Staff cost comprise salaries, bonuses, allowances and employers' contribution paid to EPF and SOCSO. Advertising, promotion and sales commission expenses comprise commission and incentives paid to our sales and marketing staff and expenses incurred for advertising, creative agency fees and expenses for other promotional events.

For the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, our selling and marketing expenses were RM25.5 million, RM27.8 million and RM33.9 million, respectively. Selling and marketing expenses of CIBI accounted for 10.7% of our total selling and marketing expenses for the FYE 31 December 2020.

Administrative expenses

Our administrative expenses primarily comprise the following: (i) staff cost for administrative employees, including share-based payment expense; (ii) depreciation and amortisation expenses; (iii) IT support expenses, which primarily comprise IT outsourcing fees, software tool license fees, expenses incurred for network and system security, and data centres and other infrastructure support costs; (iv) legal and professional fees; (v) rental of buildings for our data centres, corporate office and regional offices (prior to adoption of MFRS 16); (vi) staff insurance; (vii) travelling and entertainment; (viii) office expenses, which primarily comprise internet broadband, telephone, printing and stationeries, utilities and general insurance; (ix) allowance for impairment of receivables - net; (x) unrealised gain on foreign exchange on RHB Term Loan 1; and (xi) other expenses.

The following table sets out a breakdown of our administrative expenses for the financial years indicated:

	FYE 31 December		
	2018	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**
Staff cost, including share-based payment expense	18,638	20,034	24,063
Depreciation and amortisation expenses			
- Depreciation of property, plant and equipment	3,283	4,781	5,474
- Depreciation of right-of-use assets	-	1,519	1,739
- Amortisation of intangible assets	80	21	266
IT support expenses	3,085	4,281	5,517
Legal and professional fees	3,131	855	1,782
Rental of buildings	1,668	265	528
Staff insurance	459	451	719
Travelling and entertainment	1,640	1,360	1,022
Office expenses	1,630	1,648	2,974
Allowance for impairment of receivables - net	75	277	530
Unrealised gain on foreign exchange on RHB Term Loan 1	-	-	(3,255)
Other expenses	1,998	2,631	3,572
Total	**35,687**	**38,123**	**44,931**

Administrative expenses of CIBI accounted for 10.0% of our total administrative expenses for the FYE 31 December 2020.

Finance costs

Our finance costs primarily comprise interest paid on our borrowings and lease liabilities.

The following table sets out a breakdown of our finance costs for the financial years indicated:

	FYE 31 December		
	2018	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**
Interest expense on:			
- Bank borrowings	96	933	4,024
- Lease liabilities	-	220	162
Accretion of provision for restoration costs	19	18	19
Others	7	40	29
Total	**122**	**1,211**	**4,234**

Tax expense

Our tax expense primarily comprises current and deferred taxes. Current tax expense is determined according to the tax laws of each jurisdiction where we and our subsidiaries operate and includes all taxes based on the taxable profits. We were subject to tax in Malaysia in the FYEs 31 December 2018, 31 December 2019 and 31 December 2020. As a result of our acquisition of a 51.0% equity interest in CIBI through our previously wholly-owned subsidiary, CIBI Holdings in June 2020, we were also subject to tax in the Philippines for the FYE 31 December 2020 which accounted for 3.4% of our total tax expense for the FYE 31 December 2020.

Following our acquisition of 20.0% equity interest of BOL in October 2020, we expect to receive dividend income which is exempted from taxes in Malaysia. The dividend income will be subject to withholding tax at 10.0%. However, BOL has been granted promotional privileges under the Thailand Investment Promotion Act B.E. 2520 (1997), as amended, by the Board of Investment of Thailand, and we are therefore exempted from withholding tax on dividends paid from the income derived from the promoted business operations for which BOL's corporate income tax is exempted. Such tax relief is valid from 9 October 2013 until 15 December 2022. The interest expense from the bank borrowings used to finance the acquisition of the 20.0% equity interest in BOL is not tax deductible as the dividend income received is exempted from taxes in Malaysia.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled taking into consideration of the expiry date of tax incentive, based on the tax rates and tax laws substantially enacted at the balance sheet date.

Our subsidiary, CTOS Data Systems, the main contributor to our Group's income, is entitled to pioneer status incentives under the PIA 1986 for MSC Malaysia Qualifying Activities. As a result, our effective tax rate for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 of 6.7%, 5.4% and 5.8%, respectively, has therefore been significantly lower than the statutory tax rate of 24.0% in Malaysia. For more information, see Section 12.2.2 of this Prospectus and Note 2.9 of the Accountants' Report in Section 13 of this Prospectus.

We assume responsibility for the withholding of tax on payments to our service providers who are not resident in the relevant country where the services are rendered, as well as on licenses or royalties paid to our vendors and service providers. We also remit such withheld taxes to the relevant tax authorities.

In January 2021, we acquired the entire equity interest of Basis. As Basis does not hold a MSC Pioneer Certificate, it is subject to the statutory tax rate of 24.0% in Malaysia. We expect this to contribute to a marginal increase in our tax expense beginning with the FYE 31 December 2021.

FYE 31 December 2020 compared to FYE 31 December 2019

The following table presents selected financial information from our consolidated statements of comprehensive income for the financial years indicated:

	FYE 31 December				
	2019		**2020**		**% change**
	RM'000	**%[(1)]**	**RM'000**	**%[(1)]**	
Revenue	129,141	100.0	140,496	100.0	8.8
Cost of sales	(21,599)	(16.7)	(19,056)	(13.6)	(11.8)
GP	**107,542**	**83.3**	**121,440**	**86.4**	**12.9**
Other income	57	*	174	0.1	205.3
Selling and marketing expenses	(27,780)	(21.5)	(33,902)	(24.1)	22.0
Administrative expenses	(38,123)	(29.5)	(44,931)	(32.0)	17.9
Finance costs	(1,211)	(0.9)	(4,234)	(3.0)	249.6
Share of profits of associates	761	0.6	1,785	1.3	134.6
PBT	**41,246**	**31.9**	**40,332**	**28.7**	**(2.2)**
Tax expense	(2,237)	(1.7)	(2,355)	(1.7)	5.3
Profit for the financial year	**39,009**	**30.2**	**37,977**	**27.0**	**(2.6)**
Profit/(loss) for the financial year attributable to:					
- Owners of the Company	39,009	30.2	39,187	27.9	0.5
- Non-controlling interests	-	-	(1,210)	(0.9)	-
Profit for the financial year	**39,009**	**30.2**	**37,977**	**27.0**	**(2.6)**

Notes:

(1) Percentage of revenue.

* Negligible

Revenue

Our revenue increased by RM11.4 million, or 8.8%, to RM140.5 million for the FYE 31 December 2020 from RM129.1 million for the FYE 31 December 2019. This increase was primarily due to revenue from our International B2B customers following our acquisition of a 51.0% equity interest in CIBI in June 2020 and an increase in revenue from our Commercial and Direct-to-Consumer customers, which were partially offset by a decrease in revenue from our Key Accounts customers.

Revenue generated by our operations in Malaysia increased by RM4.1 million, or 3.2% to RM133.2 million for the FYE 31 December 2020 from RM129.1 million for the FYE 31 December 2019. For the FYEs 31 December 2019 and 31 December 2020, 100.0% and 94.8% of our revenues respectively were generated by our customers in Malaysia.

The following table sets out a breakdown of our revenue by type of customer for the financial years indicated:

	FYE 31 December				
	2019		**2020**		**% change**
	RM'000	**%(1)**	**RM'000**	**%(1)**	
Malaysia					
Key Accounts	49,321	38.2	47,335	33.7	(4.0)
Commercial	74,449	57.6	79,600	56.7	6.9
Direct-to-Consumer	5,371	4.2	6,290	4.5	17.1
Sub-total	**129,141**	**100.0**	**133,225**	**94.8**	3.2
International B2B	-	-	7,271	5.2	-
Total	**129,141**	**100.0**	**140,496**	**100.0**	**8.8**

Note:

(1) Percentage of revenue

Revenue from our Key Accounts customers was RM47.3 million for the FYE 31 December 2020. We had increased sales volume during the year primarily due to increased sales of our digital solutions, including our Comprehensive Portfolio Review, CTOS IDGuard, and sales of bundled services (two or more digital solutions sold together), which we began offering in the fourth quarter of 2019. However, for the FYE 31 December 2020, we reduced our fees charged to our Key Accounts customers for our CTOS Data Systems Reports in an aggregate amount of RM7.3 million as BNM allowed free access to its CCRIS database which is expected to continue until the end of 2021. The increase in revenue generated from increased sales volume described above was fully offset by the aforementioned fee reduction resulting in the decrease in our Key Accounts revenue by RM2.0 million, or 4.0%, to RM47.3 million for the FYE 31 December 2020 from RM49.3 million for the FYE 31 December 2019.

Revenue from our Commercial customers increased by RM5.2 million, or 6.9%, to RM79.6 million for the FYE 31 December 2020 from RM74.4 million for the FYE 31 December 2019, primarily due to strong growth in new CTOS Credit Manager subscribers, which generated additional revenue from subscription fees, as well as higher CTOS Data Systems Reports' sales volume driven by strong demand. We reduced our fees charged to our Commercial customers for our CTOS Data Systems Reports in an aggregate amount of RM0.3 million as BNM allowed free access to its CCRIS database.

Revenue from our Direct-to-Consumer customers increased by RM0.9 million, or 17.1%, to RM6.3 million for the FYE 31 December 2020 from RM5.4 million for the FYE 31 December 2019, primarily due to increased sales volume of MyCTOS Score Reports from both new customers and customers who have purchased MyCTOS Score Reports in the past, despite reducing our fees charged to our Direct-to-Consumer customers for our CTOS Data Systems Reports in an aggregate amount of RM0.3 million as BNM allowed free access to its CCRIS database.

Our revenue for the FYE 31 December 2020 also included RM7.3 million of revenue from our International B2B customers following our acquisition of a 51.0% equity interest in CIBI in June 2020.

Cost of sales

Our cost of sales decreased by RM2.5 million, or 11.8%, to RM19.1 million for the FYE 31 December 2020 from RM21.6 million for the FYE 31 December 2019. This lower cost of sales was due to our reduction in fees charged for our CTOS Data Systems Reports which BNM required CTOS Data Systems to do because of the CCRIS fee waiver provided by BNM in June 2020. The decrease was partially offset by an increase in costs of reports purchased from third parties in line with the increase in sales volume of our CTOS Data Systems Reports and our digital solutions, as well as new contribution to cost of sales to our International B2B customers after our acquisition of a 51.0% equity interest in CIBI in June 2020. Cost of sales of CIBI accounted for 8.1% of our total cost of sales for the FYE 31 December 2020. Our cost of sales as a percentage of total revenue decreased to 13.6% for the FYE 31 December 2020 from 16.7% for the FYE 31 December 2019 for the same reason.

GP and GP margin

Our GP increased by RM13.9 million, or 12.9%, to RM121.4 million for the FYE 31 December 2020 from RM107.5 million for the FYE 31 December 2019 primarily due to increases in sales volume from our Key Accounts, Commercial and Direct-to-Consumer customers, as well as GP from our International B2B customers following our acquisition of a 51.0% equity interest in CIBI in June 2020. Our GP margin increased from 83.3% for the FYE 31 December 2019 to 86.4% for the FYE 31 December 2020 primarily due to the decrease in cost of sales which in turn is primarily due to the aggregate RM7.8 million reduction in our fees charged to our Key Accounts, Commercial and Direct-to-Consumer customers for our CTOS Data Systems Reports as described above.

The following tables set out the breakdown of our GP by geography, and as a percentage of revenue for the financial years indicated.

	FYE 31 December 2019						**FYE 31 December 2020**					
	Malaysia		**International**		**Total**		**Malaysia**		**International**		**Total**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Revenue	129,141	100.0	-	-	129,141	100.0	133,225	100	7,271	100	140,496	100
Cost of sales	(21,599)	(16.7)	-	-	(21,599)	(16.7)	(17,509)	(13.1)	(1,547)	(21.3)	(19,056)	(13.6)
GP	107,542	83.3	-	-	**107,542**	83.3	115,716	86.9	5,724	78.7	**121,440**	86.4

Other income

Other income increased by RM0.1 million, to RM0.2 million for the FYE 31 December 2020 from RM0.1 million for the FYE 31 December 2019. Lower other income for the FYE 31 December 2019 was primarily due to the write-off of an asset of RM0.2 million related to an aborted new product development. Other income of CIBI accounted for 26.4% of our other income for the FYE 31 December 2020.

Selling and marketing expenses

Selling and marketing expenses increased by RM6.1 million, or 22.0%, to RM33.9 million for the FYE 31 December 2020 from RM27.8 million for the FYE 31 December 2019 primarily due to an increase in staff cost as a result of average monthly headcount in Malaysia for the FYE 31 December 2020 being higher than the average monthly headcount for the FYE 31 December 2019 and new contribution to staff cost from our International B2B customers after our acquisition of a 51.0% equity interest in CIBI in June 2020. Selling and marketing expenses of CIBI accounted for 10.7% of our total selling and marketing expenses for the FYE 31 December 2020. The increase was partially offset by lower advertising, promotion sales commission and incentives expenses. The impact of the COVID-19 pandemic resulted in fewer employees achieving their performance targets, resulting in lower commission and incentives being paid.

Administrative expenses

Administrative expenses increased by RM6.8 million, or 17.9%, to RM44.9 million for the FYE 31 December 2020 from RM38.1 million for the FYE 31 December 2019, primarily due to increases in staff cost, including share-based payment expense, IT support expenses, office expenses and legal and professional fees, partially offset by unrealised gain on foreign exchange on a foreign currency loan.

Staff cost, including share-based payment expense increased by RM4.0 million, or 20.1%, to RM24.1 million for the FYE 31 December 2020 from RM20.0 million for the FYE 31 December 2019 primarily due to the cancellation of the ESOS which resulted in an acceleration charge that increased our share-based payment expense as well as the increased headcount to support our digital solutions and operations. IT support expense increased by RM1.2 million, or 28.9% to RM5.5 million for the FYE 31 December 2020 from RM4.3 million in the FYE 31 December 2019 primarily due to an increase in the fees paid for outsourced IT support services. Office expenses increased by RM1.3 million, or 80.5%, to RM3.0 million for the FYE 31 December 2020 from RM1.6 million for the FYE 31 December 2019 primarily reflecting the consolidation of CIBI after our acquisition in June 2020. Legal and professional fees increased RM0.9 million, or 108.4%, to RM1.8 million for the FYE 31 December 2020 from RM0.9 million for the FYE 31 December 2019 related to regulatory compliance activities and the consolidation of CIBI after our acquisition in June 2020. Unrealised gain on foreign exchange on foreign currency loan for the FYE 31 December 2020 was RM3.3 million and was related to our USD-denominated borrowing.

Administrative expenses of CIBI accounted for 10.0% of our total administrative expenses for the FYE 31 December 2020.

Finance costs

Finance costs increased by RM3.0 million to RM4.2 million for the FYE 31 December 2020 from RM1.2 million for the FYE 31 December 2019, primarily due to an increase of interest expense on higher bank borrowings to finance our acquisitions including BOL for the FYE 31 December 2020 and the write off of unamortised borrowing costs of RM0.7 million upon refinancing of our term loan facilities. Finance costs of CIBI accounted for 0.9% of our total finance costs for the FYE 31 December 2020.

Share of profits of associates

Share of profits of associates increased by RM1.0 million to RM1.8 million for the FYE 31 December 2020 from RM0.8 million for the FYE 31 December 2019 due to the full year contribution of our investment in Experian and our investment in BOL in October 2020.

PBT and PBT margin

PBT decreased by RM0.9 million, or 2.2%, to RM40.3 million for the FYE 31 December 2020 from RM41.2 million for the FYE 31 December 2019, despite an 8.8% increase in revenue for the FYE 31 December 2020 compared to the FYE 31 December 2019, due to an increase in administrative expenses and selling and marketing expenses, as well as a loss before tax of RM2.0 million from our international business segment following our acquisition of a 51.0% equity interest in CIBI in June 2020. Our PBT margin decreased from 31.9% for the FYE 31 December 2019 to 28.7% for the FYE 31 December 2020 for the reasons described above.

Tax expense

Tax expense increased by RM0.1 million, or 5.3%, to RM2.4 million for the FYE 31 December 2020 from RM2.2 million for the FYE 31 December 2019, primarily due to higher over accrual of tax for the FYE 31 December 2019. Our effective tax rate increased to 5.8% for the FYE 31 December 2020 from 5.4% for the FYE 31 December 2019 primarily due to the loss before tax from our international business segment, resulting in lower PBT on which our effective tax rate is calculated. The majority of CTOS Data Systems' statutory income was tax exempt in both years due to its pioneer status incentives. For more information on pioneer status tax incentives, see Section 12.2.2 of this Prospectus. Tax expense of CIBI accounted for 3.4% of our total tax expense for the FYE 31 December 2020.

Profit for the financial year, PATAMI and PATAMI margin

Profit for the financial year decreased by RM1.0 million, or 2.6%, to RM38.0 million for the FYE 31 December 2020 from RM39.0 million for the FYE 31 December 2019 primarily due to higher selling and marketing expenses, administrative expenses and finance costs coupled with the loss before tax recorded from our international business segment, which offset the increase in revenue described above. Profit for the financial year for the FYE 31 December 2020 included CIBI's loss for the financial year of RM2.5 million.

PATAMI increased by RM0.2 million, or 0.5%, to RM39.2 million for the FYE 31 December 2020 from RM39.0 million for the FYE 31 December 2019. PATAMI for the FYE 31 December 2020 included CIBI's loss after tax and minority interests of RM1.3 million.

PATAMI margin decreased from 30.2% for the FYE 31 December 2019 to 27.9% for the FYE 31 December 2020 due to the loss before tax recorded from our international business segment despite PATAMI margin for our Malaysian business segment remaining stable.

FYE 31 December 2019 compared to FYE 31 December 2018

The following table presents selected financial information from our consolidated statements of comprehensive income for the financial years indicated:

	FYE 31 December				
	2018		**2019**		**% change**
	RM'000	**%[(1)]**	**RM'000**	**%[(1)]**	
Revenue	110,465	100.0	129,141	100.0	16.9
Cost of sales	(17,526)	(15.9)	(21,599)	(16.7)	23.2
GP	**92,939**	**84.1**	**107,542**	**83.3**	**15.7**
Other income	183	0.2	57	*	(68.9)
Selling and marketing expenses	(25,522)	(23.1)	(27,780)	(21.5)	8.8
Administrative expenses	(35,687)	(32.3)	(38,123)	(29.5)	6.8
Finance costs	(122)	(0.1)	(1,211)	(0.9)	892.6
Share of profits of associates	-	-	761	0.6	-
PBT	**31,791**	**28.8**	**41,246**	**31.9**	**29.7**
Tax expense	(2,135)	(1.9)	(2,237)	(1.7)	4.8
Profit for the financial year	**29,656**	**26.8**	**39,009**	**30.2**	**31.5**
Profit for the financial year attributable to:					
- Owners of the Company	29,656	26.8	39,009	30.2	31.5
- Non-controlling interests	-	-	-	-	-
Profit for the financial year	**29,656**	**26.8**	**39,009**	**30.2**	**31.5**

Notes:

(1) Percentage of revenue.

* Negligible

Revenue

Our revenue increased by RM18.7 million, or 16.9%, to RM129.1 million for the FYE 31 December 2019 from RM110.5 million for the FYE 31 December 2018, primarily driven by an increase in our revenues from our Key Accounts and Commercial customers. All of our revenue was generated in Malaysia in both years.

The following table sets out a breakdown of our revenue by type of customer for the financial years indicated:

	FYE 31 December				
	2018		**2019**		**% change**
	RM'000	**%[(1)]**	**RM'000**	**%[(1)]**	
Key Accounts	41,440	37.5	49,321	38.2	19.0
Commercial	64,391	58.3	74,449	57.6	15.6
Direct-to-Consumer	4,634	4.2	5,371	4.2	15.9
Total	**110,465**	**100.0**	**129,141**	**100.0**	**16.9**

Note:

(1) Percentage of revenue.

Revenue from our Key Accounts customers increased by RM7.9 million, or 19.0%, to RM49.3 million for the FYE 31 December 2019 from RM41.4 million for the FYE 31 December 2018, primarily due to (i) an increase in sales volume of our CTOS Data Systems Reports, which in turn was largely driven by sales to existing customers and increased demand for credit information; (ii) revenue from our CTOS eKYC and CAD solutions, which were launched in the fourth quarter of 2019; and (iii) an increase in sales volume of our Comprehensive Portfolio Review solution. These trends reflect our strategy to expand our wallet share among our existing customers and to assist them with their digital transformations.

Revenue from our Commercial customers increased by RM10.1 million, or 15.6%, to RM74.4 million for the FYE 31 December 2019 from RM64.4 million for the FYE 31 December 2018, primarily due to growth in new CTOS Credit Manager subscribers, which generated additional revenue from subscription fees, which in turn was driven by our implementation of new sales performance standards for our sales teams, as well as higher sales volume of our CTOS Data Systems Reports.

Revenue from our Direct-to-Consumer customers increased by RM0.7 million, or 15.9%, to RM5.4 million for the FYE 31 December 2019 from RM4.6 million for the FYE 31 December 2018, primarily due to increased sales volume of MyCTOS Score Reports from both new customers and customers who have purchased MyCTOS Score Reports in the past.

Cost of sales

Our cost of sales increased by RM4.1 million, or 23.2%, to RM21.6 million for the FYE 31 December 2019 from RM17.5 million for the FYE 31 December 2018, primarily due to an increase in costs of reports purchased from third parties in line with the increase in sales volume of our CTOS Data Systems Reports and our digital solutions. Our cost of sales as a percentage of revenue increased to 16.7% for the FYE 31 December 2019 from 15.9% for the FYE 31 December 2018, in line with the increase in sales volume of our CTOS Data Systems Reports and our digital solutions, as well as changes in the composition of our sales mix.

GP and GP margin

Our GP increased by RM14.6 million, or 15.7%, to RM107.5 million for the FYE 31 December 2019 from RM92.9 million for the FYE 31 December 2018 due to increases in sales volume from our Key Accounts, Commercial and Direct-to-Consumers customers. Our GP margin decreased from 84.1% for the FYE 31 December 2018 to 83.3% for the FYE 31 December 2019 primarily due to the increase in cost of sales, as well as changes in the composition of our sales mix.

Other income

Other income decreased by RM0.1 million, or 68.9%, to approximately RM57,000 for the FYE 31 December 2019 from RM0.2 million for the FYE 31 December 2018, primarily due to the write-off of an asset of RM0.2 million related to an aborted new product development.

Selling and marketing expenses

Selling and marketing expenses increased by RM2.3 million, or 8.8%, to RM27.8 million for the FYE 31 December 2019 from RM25.5 million for the FYE 31 December 2018 primarily due to an increase in commissions and incentives paid to our sales and marketing staff who achieved their performance targets and advertising spending for our marketing efforts to launch CTOS SecureID and raise awareness among, and grow our revenue from, our Direct-to-Consumer customers.

Administrative expenses

Administrative expenses increased by RM2.4 million, or 6.8%, to RM38.1 million for the FYE 31 December 2019 from RM35.7 million for the FYE 31 December 2018, primarily due to increases in staff cost, including share-based payment expense, depreciation and amortisation expenses and IT support expenses, partially offset by lower legal and professional fees and lower rental of buildings.

Staff cost, including share-based payment expense increased by RM1.4 million, or 7.5%, to RM20.0 million for the FYE 31 December 2019 from RM18.6 million for the FYE 31 December 2018 as we hired more employees to support our digital solutions. Depreciation and amortisation expenses increased by RM3.0 million, or 88.0%, to RM6.3 million for the FYE 31 December 2019 from RM3.4 million for the FYE 31 December 2018 primarily due to higher capital expenditures during the year and the inclusion of expenses related to depreciation of right-of-use assets previously classified as rental expenses following our adoption of MFRS 16. IT support expenses increased by RM1.2 million, or 38.8% to RM4.3 million for the FYE 31 December 2019 from RM3.1 million for the FYE 31 December 2018 primarily due to costs incurred for data centre infrastructure and administrative software.

Legal and professional fees decreased by RM2.3 million, or 72.7%, to RM0.9 million for the FYE 31 December 2019 from RM3.1 million for the FYE 31 December 2018 as we paid fees to Creador, our related party, for certain support services in the FYE 31 December 2018 but not the FYE 31 December 2019. Rental of buildings decreased by RM1.4 million, or 84.1%, to RM0.3 million for the FYE 31 December 2019 from RM1.7 million for the FYE 31 December 2018 primarily due to reclassification as part of our adoption of MFRS 16 in the FYE 31 December 2019.

Finance costs

Finance costs increased to RM1.2 million for the FYE 31 December 2019 from RM0.1 million for the FYE 31 December 2018. The increase in finance cost was primarily due to the utilisation of our revolving credit facility for working capital requirements and term loan for payment of dividends.

Share of profits of associates

Share of profits of associates was RM0.8 million for the FYE 31 December 2019 as compared to nil for the FYE 31 December 2018. Share of profits of associates for the FYE 31 December 2019 related to our investment in Experian which was completed in July 2019.

PBT and PBT margin

PBT increased by RM9.5 million, or 29.7%, to RM41.2 million for the FYE 31 December 2019 from RM31.8 million for the FYE 31 December 2018, primarily due to a 16.9% increase in revenue for the FYE 31 December 2019 compared to the FYE 31 December 2018, and a 83.3% GP margin which was partially offset by increases in selling and marketing expenses and administrative costs.

With that, our PBT margin increased from 28.8% for the FYE 31 December 2018 to 31.9% for the FYE 31 December 2019.

Tax expense

Tax expense increased by RM0.1 million, or 4.8%, to RM2.2 million for the FYE 31 December 2019 from RM2.1 million for the FYE 31 December 2018. Our effective tax rate decreased to 5.4% for the FYE 31 December 2019 from 6.7% for the FYE 31 December 2018 primarily because a higher portion of CTOS Data Systems' statutory income was tax exempt. For more information on pioneer status tax incentives, see Section 12.2.2 of this Prospectus.

Profit for the financial year, PATAMI and PATAMI margin

For the reasons described above, profit for the financial year increased by RM9.4 million, or 31.5%, to RM39.0 million for the FYE 31 December 2019 from RM29.7 million for the FYE 31 December 2018. PATAMI for the financial year increased by RM9.4 million, or 31.5%, to RM39.0 million for the FYE 31 December 2019 from RM29.7 million for the FYE 31 December 2018. PATAMI margin increased from 26.8% for the FYE 31 December 2018 to 30.2% for the FYE 31 December 2019, primarily due to strong revenue growth, which outpaced increases in selling and marketing expenses and administrative expenses, each as described above.

12.2.6 Liquidity and capital resources

Working capital

Our working capital is funded through cash generated from our operating activities and borrowings from financial institutions as well as our cash and bank balances.

As at 31 December 2020, we had cash and bank balances of RM26.4 million and total borrowings of RM132.3 million. As at 31 December 2020, we were in a net current liabilities position of RM104.9 million, calculated as the difference between our current assets of RM54.6 million and current liabilities of RM159.5 million. The net current liabilities position is attributable to the requirement to mandatorily prepay all amounts outstanding under the facilities pursuant to Facilities Agreement 1 upon our receipt of the proceeds from our Public Issue. Accordingly, we have classified the RM132.3 million outstanding under these facilities as current borrowings as at 31 December 2020. Upon repayment of the amounts outstanding under these facilities, we do not foresee that we will continue to be in a net current liabilities position.

Based on the above and taking into consideration our funding requirements for our committed capital expenditure, expected cash flows from operations, our existing level of cash and cash equivalents and credit facilities, dividend of RM22.3 million declared and paid in the FYE 31 December 2021 and impact of COVID-19 pandemic as set out in Section 7.24 of this Prospectus together with the gross proceeds of approximately RM220.0 million that we expect to raise from our Public Issue, of which RM155.2 million is intended to be utilised to repay all our bank borrowings, our Board believes that we have sufficient working capital for at least 12 months from the date of this Prospectus.

Cash flows

The following table summarises our consolidated statements of cash flows for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020:

	FYE 31 December		
	2018	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**
Net cash flows generated from operating activities	37,495	48,768	49,606
Net cash flows used in investing activities	(10,141)	(58,946)	(104,041)
Net cash flows (used in)/generated from financing activities	(23,570)	5,451	74,088
Net increase/(decrease) in cash and cash equivalents	**3,784**	**(4,727)**	**19,653**
Effects of exchange rate changes	-	-	(206)
Cash and cash equivalents at beginning of the financial year	6,432	10,216	5,489
Cash and cash equivalents at the end of the financial year	**10,216**	**5,489**	**24,936**

Most of our cash and cash equivalents are held in RM. There are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, subject to any applicable withholding tax and the availability of distributable reserves, loans or advances in compliance with any applicable financial covenants.

Net cash generated from operating activities

<u>FYE 31 December 2020 compared to FYE 31 December 2019</u>

Our net cash generated from operating activities was RM49.6 million for the FYE 31 December 2020 compared to RM48.8 million for the FYE 31 December 2019. Our net cash from operating activities increased by RM0.8 million primarily due to the increase in operating cash flows before working capital changes from RM49.9 million for the FYE 31 December 2019 to RM50.8 million for the FYE 31 December 2020 that was attributed to higher non-cash item adjustments despite the lower PBT recorded for the year due to the impact from COVID-19.

We had a net increase in working capital primarily due to:

(i) An increase in receivables, deposits and prepayment of RM1.1 million in the FYE 31 December 2020 compared to an increase of RM3.8 million in the FYE 31 December 2019. In the FYE 31 December 2020, receivables, deposits and prepayment from CTOS Data Systems' business was offset by a decrease in receivables in CIBI's business during the period after our acquisition in June 2020 through the end of the year primarily due to increased collections of receivables by CIBI during the second half of the year;

(ii) A decrease in payables and accruals of RM0.9 million in the FYE 31 December 2020 compared to a decrease of RM1.5 million in the FYE 31 December 2019, with the smaller decrease in the FYE 31 December 2020 due to CIBI's deferral of payment to a data vendor until 2021; and

(iii) An increase in contract liabilities (which relate to sales of services that have not been rendered, delivered or completed) of RM2.2 million in the FYE 31 December 2020 related to advanced billing for our digital solutions, partially offset by lower deferred revenue from prepaid CTOS Credit Manager subscription fees, compared to an increase of RM1.5 million in the FYE 31 December 2019.

Income tax paid for the FYE 31 December 2020 was RM2.1 million, which was RM0.4 million lower than income tax paid for the FYE 31 December 2019 of RM2.5 million. The decrease was due to the Government's COVID-19 relief initiative that allowed companies including us to defer certain income tax instalment payments. As a result, we deferred a portion of our 2020 tax payment to January 2021.

Overall, net cash flows generated from operating activities in the FYE 31 December 2020 was higher than net cash flows generated from operating activities in the FYE 31 December 2019, despite there being a RM5.0 million tax refund received in 2019.

<u>FYE 31 December 2019 compared to FYE 31 December 2018</u>

Our net cash generated from operating activities was RM48.8 million for the FYE 31 December 2019 compared to RM37.5 million for the FYE 31 December 2018. Our net cash from operating activities increased primarily due to an increase in operating cash flows before working capital changes from RM35.8 million for the FYE 31 December 2018 to RM49.9 million for the FYE 31 December 2019 as a result of higher PBT. However, this increase in operating cash flows before working capital changes was partially offset by a decrease in net working capital of RM3.8 million in FYE 31 December 2019.

We had a net decrease in working capital primarily due to:

(i) An increase in receivables, deposits and prepayment of RM3.8 million in the FYE 31 December 2019 as a result of increased revenue compared to an increase of RM1.5 million in the FYE 31 December 2018;

(ii) A decrease in payables and accruals of RM1.5 million in the FYE 31 December 2019 as a result of shorter credit terms for one of our data vendors and the settlement of amounts outstanding to another vendor from 2018 compared to an increase of RM2.6 million in the FYE 31 December 2018; and

(iii) An increase in contract liabilities of RM1.5 million in the FYE 31 December 2019 as a result of increased sales of prepaid CTOS Credit Manager subscription packages. However, this increase was lower as compared to an increase in the FYE 31 December 2018 of RM2.7 million, which was due to the high take-up rate of prepaid CTOS Credit Manager subscription packages, which resulted in a higher amount of contract liabilities

There was a decrease in income tax paid of RM2.5 million for the FYE 31 December 2019 from RM2.7 million for the FYE 31 December 2018, primarily reflecting the impact of one of our subsidiaries, Automated Mail Responder, becoming dormant in the FYE 31 December 2019. In addition, a RM5.0 million tax refund was received in the FYE 31 December 2019 due to overpayment relating to prior years compared to a tax refund received of RM0.5 million in the FYE 31 December 2018.

Net cash used in investing activities

FYE 31 December 2020

Our net cash used in investing activities was RM104.0 million for the FYE 31 December 2020, primarily attributable to:

(i) RM91.9 million spent on investment in associate related to our acquisition of a 20.0% equity interest in BOL;

(ii) RM5.4 million spent on acquisition of subsidiary, net of cash acquired, related to our acquisition of a 51.0% equity interest in CIBI;

(iii) RM4.7 million spent on purchase of property, plant and equipment related to IT infrastructure and security and office equipment; and

(iv) RM2.2 million spent on the purchase of intangible assets related to the development and enhancement of our digital solutions.

FYE 31 December 2019

Our net cash used in investing activities was RM58.9 million for the FYE 31 December 2019, primarily attributable to our investment in Experian which was completed in July 2019.

FYE 31 December 2018

Our net cash used in investing activities was RM10.1 million for the FYE 31 December 2018, primarily attributable purchase of property, plant and equipment related to the establishment of a data recovery centre in Cyberjaya and other office renovations, development of digital solutions, investments made to develop the finance reporting and analytical tool and the installation of IT storage.

Net cash used in / generated from financing activities

FYE 31 December 2020

Our net cash generated from financing activities was RM74.1 million for the FYE 31 December 2020, primarily attributable to RM193.6 million of drawdown of RHB Term Loan 1, a revolving credit facility granted by Standard Chartered Bank Malaysia Berhad ("**SCB**") and OCBC Bank (Malaysia) Berhad ("**OCBC**") ("**Revolving Credit Facility**") and a term loan facility granted by SCB and OCBC to CTOS Data Systems ("**Refinanced Facility**") which was subsequently refinanced with RHB Term Loan 2, partially offset by:

(i) RM86.2 million primarily comprising repayment of the Revolving Credit Facility and the Refinanced Facility;

(ii) RM10.5 million of dividends paid;

(iii) RM3.0 million of transaction costs paid relating to legal fees, stamp duty, and upfront fees to lenders; and

(iv) RM2.8 million of interest paid on the Revolving Credit Facility, the Refinanced Facility, RHB Term Loan 1 and RHB Term Loan 2.

FYE 31 December 2019

Our net cash generated from financing activities was RM5.5 million for the FYE 31 December 2019, primarily attributable to:

(i) RM56.3 million in advances from our immediate holding company as interim financing for the acquisition of a 26.0% equity interest in Experian which was subsequently repaid with internally generated funds and refinanced with the Refinanced Facility that was drawn down mainly for this purpose as well as for payment of dividends; and

(ii) RM32.0 million in drawdown of both the Revolving Credit Facility and the Refinanced Facility for working capital and payment of dividends respectively,

partially offset by:

(i) RM42.0 million of repayment of advances from immediate holding company;

(ii) RM21.7 million of dividends paid; and

(iii) RM16.2 million of repayment of both the Revolving Credit Facility and the Refinanced Facility.

FYE 31 December 2018

Our net cash used in financing activities was RM23.6 million for the FYE 31 December 2018, primarily attributable to RM35.0 million of dividends paid, partially offset by RM11.7 million of drawdown of the Revolving Credit Facility and the Refinanced Facility for working capital and payment of dividends respectively.

12.2.7 Borrowings

As at 31 December 2020, our total borrowings amounted to RM132.3 million, all of which related to interest-bearing term loans recorded as a current liability.

CTOS Digital entered into Facilities Agreement 1 with RHB Bank for the RHB Term Loan 1, a USD22.1 million term loan facility and RHB Term Loan 2, a RM45.6 million term loan facility. There is also a RM5.0 million revolving facility granted under the same facilities agreement which had not been drawn by us as at 31 December 2020.

Further details of our total borrowings as at 31 December 2020 are set out below:

(i) USD22.1 million of the RHB Term Loan 1 was drawn down on 28 October 2020, which had a carrying amount of RM87.6 million as at 31 December 2020, to finance the acquisition of a 20.0% equity interest in BOL. The loan is repayable in quarterly instalments commencing on 28 January 2021 with final maturity on 28 October 2025, subject to certain mandatory prepayment events. The loan bears interest at a variable rate of 2.6% as at 31 December 2020, based on rate of 2.0% above cost of funds.

(ii) RM45.6 million of the RHB Term Loan 2 was drawn down on 28 October 2020, which had a carrying amount of RM44.8 million as at 31 December 2020, to refinance the Refinanced Facility which was drawn down mainly for the acquisition of a 26.0% equity interest in Experian and payment of dividends. The loan is repayable in quarterly instalments commencing on 28 January 2021 with final maturity on 28 October 2025, subject to certain mandatory prepayment events. The loan bears interest at a variable rate of 4.3% as at 31 December 2020, based on rate of 2.0% above cost of funds.

(iii) There were no amounts outstanding under the RM5.0 million revolving facility as at 31 December 2020.

The abovementioned facilities are guaranteed by our subsidiaries CTOS Data Systems, CTOS Business, Intellidata Solutions, Enfo and CTOS Insights, and secured by substantially all of the assets and property of CTOS Digital and our shares of Experian and BOL.

Under the terms of Facilities Agreement 1, we are required to mandatorily prepay all amounts outstanding under these facilities upon our receipt of the proceeds from our Public Issue. Accordingly, we have classified the RM132.3 million outstanding under these facilities as current borrowings as at 31 December 2020. We intend to repay all the outstanding amount under the RHB Term Loan 1 and RHB Term Loan 2 with the proceeds that we expect to receive from our Public Issue. For further details, see Section 4.6 of this Prospectus.

The following table sets out the maturity profile of our borrowings as at 31 December 2020, excluding term loans that have been paid during the year.

	On demand or within one year	One to two years	Two to five years	Total
	RM'000	RM'000	RM'000	RM'000
Term loans	132,320	-	-	132,320
Total	**132,320**	**-**	**-**	**132,320**

We have not been in default on payments of either interest or principal for any of our borrowings during the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 and from 1 January 2021 up to the LPD. As at the LPD, we are not in breach of the terms and conditions or covenants under our credit arrangements or bank loans which would materially affect our financial position and results of operations or the investments in our Shares.

12.2.8 Capital expenditure and material acquisitions and divestitures

Capital expenditure

The following table sets out a breakdown of our capital expenditure for the financial years indicated:

	FYE 31 December		
	2018	2019	2020[(1)]
	RM'000	RM'000	RM'000
Computers[(2)]	2,032	1,737	4,677
Office equipment	15	23	24
Renovation	238	158	37
Furniture and fittings	-	8	11
Work in progress[(3)]	7,857	2,409	506
Right-of-use assets	-	-	801
Intangible assets[(4)]	-	-	2,182
Total	**10,142**	**4,335**	**8,238**

Notes:

(1) Includes capital expenditures of CIBI comprising RM0.5 million for computers, RM0.8 million for right-of-use assets and RM0.1 million for intangible assets.

(2) Expenditures for IT infrastructure and security and server storage and capacity.

(3) Expenditures for product enhancement and development projects and IT projects that are in progress at the year end.

(4) Expenditures for intangible assets used in product development and enhancements.

The majority of our capital expenditures were incurred in connection with IT infrastructure and security, server storage and capacity, office equipment and digital solutions development and enhancements. Our capital expenditure increased by 90.0% to RM8.2 million for the FYE 31 December 2020 from RM4.3 million for the FYE 31 December 2019 primarily due to higher spending on IT infrastructure and security and digital solutions development and enhancements.

For the FYE 31 December 2021, we have budgeted RM12.1 million for capital expenditure. In the next two years, we expect to invest in two main areas, our IT capabilities and data and analytics. We expect to allocate approximately 50.0% of our capital expenditure into upgrading our IT capabilities, approximately 25.0% into enhancement of our digital solutions and approximately 15.0% into data and analytics, with approximately 10.0% reserved for miscellaneous capital expenditures.

We expect to meet our capital expenditure requirements through our internally generated funds (which includes our cash and cash equivalents on hand and cash generated from future operations).

Material acquisitions and divestitures

We selectively evaluate acquisitions and partnerships as a means to expand our business and to enter new markets. Since 1 January 2018, we have completed the acquisitions below. As a result of these acquisitions, our results of operations between periods are not comparable.

(i) In July 2019, we acquired the entire equity interest of two investment holding companies, namely Enfo and CTOS Insights, for cash considerations of RM29.3 million and RM26.9 million, respectively, which resulted in us owning 26.0% equity interest in Experian, which was funded through bank borrowings.

(ii) In June 2020, we acquired 51.0% equity interest in CIBI through our previously wholly-owned subsidiary, CIBI Holdings, for a total cash consideration of PHP174.9 million (equivalent to approximately RM15.0 million computed based on SGD1:PHP35.92 and SGD1:RM3.0725, being the transacted rates quoted by the transacting bank on 19 June 2020), which was funded through bank borrowings. On 15 June 2021, we completed the Distribution to exclude CIBI from our Group after we, in consultation with our shareholders, determined that CIBI requires further investments in terms of capital and time to better position itself to capture growth opportunities in the Philippines, and taking into account the impact of the COVID-19 pandemic on CIBI's business.

(iii) In October 2020, we acquired 20.0% equity interest of BOL for a cash consideration of THB 689.2 million (which was paid in USD equivalent of USD22.1 million or equivalent to approximately RM91.9 million computed based on USD1:RM4.1645, being the middle rate prevailing as at 12.00 p.m. on 28 October 2020 as published by BNM), which was funded through bank borrowings.

(iv) In January 2021, we acquired the entire equity interest of Basis for an upfront purchase consideration of RM32.0 million, which was funded through bank borrowings and an earn-out payment that is computed based on a revenue target, which we expect to be funded using our internally-generated funds.

The earn-out payment is computed based on two times the total revenue of Basis for the FYE 30 June 2020, adjusted in proportion to the achievement of the revenue target for the period of January 2021 to December 2022. Based on an estimated revenue target of RM14.0 million, the earn-out payment will be RM8.0 million. The earn-out payment will be adjusted accordingly based on actual revenue achieved. The earn-out payment will be accounted for as a contingent consideration and is payable no later than 30 March 2023.

We have estimated a contingent consideration of RM9.4 million by applying a discount rate of 3.8% and assumed a probability-adjusted revenue of Basis of between RM15.7 million and RM18.5 million for the FYEs 31 December 2021 and 31 December 2022. The undiscounted amount is RM10.3 million as at the LPD. The earn-out payment is not expected to have a material effect on our net assets and profit for the financial year in the financial year it is paid.

Save as disclosed above, we have not undertaken any material acquisitions or divestitures during the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 and from 1 January 2021 up to the LPD.

12.2.9 Capital commitments and other contractual obligations

Capital commitments

The following table sets out a summary of our capital commitments (being our contracted and estimated capital expenditures) as at the LPD:

	RM'000
Contracted, but not provided for	3,786
Estimated, but not contracted for	10,608
Total	**14,394**

Our contracted, but not provided for capital commitments as at the LPD comprises capital expenditure in respect of digital solutions development and enhancements. Our estimated, but not contracted capital commitments is RM10.6 million for data analytics, upgrading our IT capabilities and other office equipment, IT infrastructure and security, additional server capacity, digital solutions development and enhancements and systems upgrades and automations.

We plan to meet our capital commitments through our cash on hand, as well as cash generated from future operations and funding from other financing activities (if required).

Save as disclosed above, as at the LPD, we do not have any other material capital commitments incurred or known to be incurred by us that may have a material impact on our financial results.

Other contractual obligations

Our contractual cash obligations (excluding capital commitments) as at 31 December 2020 comprise primarily of repayment obligations under our leases and in respect of our borrowings.

The following table sets out the maturity profile of our contractual cash repayment obligations under our leases as at 31 December 2020:

	RM'000
Payments due by period	
Not later than one year(1)	1,891
Later than one year and not later than two years(1)	356
Later than two years and not later than five years(1)	38
Total	**2,285**

Note:

(1) Payments due not later than one year include RM0.5 million due by CIBI. All payments due later than one year and not later than two years and later than two years and not later than five years are payments due by CIBI.

The following table sets out the maturity profile of our contractual cash repayment obligations in respect of our borrowings as at 31 December 2020. All of these obligations relate to our borrowings under our facilities agreement with RHB Bank, which we intend to repay fully with the proceeds that we expect to receive from our Public Issue. For further details, see Section 4.6 of this Prospectus.

	RM'000
Payments due by period	
Not later than one year	146,345
Later than one year and not later than five years	-
Later than five years	-
Total	**146,345**

We plan to meet our contractual cash obligations through our cash on hand, as well as cash generated from future operations and funding from other financing activities (if required).

12.2.10 Material litigation, claims and arbitration

As at the LPD, our Directors have confirmed that we are not engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings that may have a material or significant effect on our financial position or profitability in the 12 months immediately following the date of this Prospectus.

12.2.11 Contingent liabilities

As at the LPD, we do not have any contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position.

12.2.12 Key financial ratios

The following table sets out our key financial ratios for the financial years indicated:

	FYE 31 December		
	2018	**2019**	**2020**(5)
Current ratio(1) (times)	1.5	0.5	0.3
Gearing ratio(2) (times)	0.2	0.3	1.1
Trade payables turnover(3) (days)	38	30	40
Trade receivables turnover(4) (days)	46	45	50

Notes:

* Negligible.

(1) Computed based on current assets divided by current liabilities as at the end of the financial year.

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

(3) Computed based on the average of trade payables and accruals and amount due to a related party that is trade in nature as at the beginning and end of the financial year divided by the cost of sales for such year, multiplied by the number of days in the financial year.

(4) Computed based on the average trade receivables as at the beginning and end of the financial year divided by revenue for such year, multiplied by the number of days in the financial year.

(5) Key financial ratios for the FYE 31 December 2020 without CIBI:

(i) Current ratio: 0.3 times

(ii) Gearing ratio: 1.2 times

(iii) Trade payable turnover: 31 days

(iv) Trade receivable turnover: 47 days

Current ratio

Our current ratio decreased from 0.5 times as at 31 December 2019 to 0.3 times as at 31 December 2020, primarily due to an increase in our current borrowings, partially offset by an increase in our cash and bank balances. The increase in current borrowings was due to the reclassification of RM132.3 million outstanding under our facilities from RHB Bank as current borrowings as at 31 December 2020. See Section 12.2.7 of this Prospectus for more information. Our current ratio as at 31 December 2020 without CIBI remained at 0.3 times.

Our current ratio decreased from 1.5 times as at 31 December 2018 to 0.5 times as at 31 December 2019, primarily due to an increase in our borrowings, amount due to our immediate holding company and decrease in our cash and bank balances, partially offset by an increase in our receivables, deposits and prepayments.

Gearing ratio

Our gearing ratio increased from 0.3 times as at 31 December 2019 to 1.1 times (or 1.2 times excluding CIBI) as at 31 December 2020, primarily due to additional term loans drawdown of RM91.9 million to finance the acquisition of BOL.

Our gearing ratio increased from 0.2 times as at 31 December 2018 to 0.3 times as at 31 December 2019, primarily due to additional loan drawdowns (net of repayments) of RM18.0 million to fund working capital requirements.

Trade payables turnover

Our trade payables relate to transactions with third party suppliers. The credit period typically granted to our Group by our suppliers ranges from 0 to 60 days. Trade payables also include accruals and amount due to a related party that is trade in nature.

Our trade payables turnover period increased to 40 days (or 31 days excluding CIBI) for the FYE 31 December 2020 from 30 days for the FYE 31 December 2019 primarily due to longer trade payables turnover days at CIBI.

Our trade payables turnover period decreased to 30 days for the FYE 31 December 2019 from 38 days for the FYE 31 December 2018 due to higher outstanding amounts due to a few key vendors, which were subsequently paid at the beginning of the FYE 31 December 2019.

Ageing analysis

The following table sets out the ageing analysis for our total trade payables as at 31 December 2020 and the LPD:

		Past due			
	Current	**1 – 30 days**	**31 – 120 days**	**More than 120 days**	**Total**
As at 31 December 2020:					
Trade payables (RM'000)[(1)(2)]	1,930	173	388	58	2,549
% of total trade payables	75.7%	6.8%	15.2%	2.3%	100.0%
As at the LPD:					
Trade payables settled (RM'000)[(3)]	1,839	162	370	5	2,376
Trade payables settled (% of total trade payables)	72.1%	6.4%	14.5%	0.2%	93.2%
Trade payables outstanding (RM'000)	91	11	18	53	173

Notes:

(1) Comprises trade payables and accruals and amount due to a related party that is trade in nature.

(2) Includes CIBI's trade payables of RM1.1 million, or 44.4% of our total trade payables.

(3) Includes CIBI's trade payables of RM1.0 million, or 42.9% of our total trade payables settled.

We endeavour to pay our suppliers within the credit periods granted to us to ensure our supplies are not disrupted. As at the LPD, we do not have any material disputes in respect of our trade payables and there have been no material legal proceedings initiated by our suppliers against us to demand payment.

Trade receivables turnover

Almost all of our revenue is generated from our digital solutions where our transactions with our subscribers are settled within 90 days. Our trade receivables are from subscribers who were provided with credit term for our digital solutions and services through our agreements.

Our trade receivables turnover period was 46 days, 45 days and 50 days for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, respectively. Our trade receivables turnover period increased to 50 days for the FYE 31 December 2020 from 45 days for the FYE 31 December 2019 due to higher turnover days at CIBI as its customers were impacted by the COVID-19 pandemic. Our trade receivables turnover period was 47 days for the FYE 31 December 2020, excluding CIBI.

As at 31 December 2020, we had RM21.2 million in trade receivables outstanding, which comprised primarily of amounts owed to us by our customers. We typically extend a credit term of up to 30 to 60 days. From time to time, we grant extensions of credit terms to up to 90 days.

Our impairment policy is based on assessment of expected credit losses of our portfolio of customers taking into consideration historical collection experience and forward-looking factors.

Ageing analysis

The following table sets out the ageing analysis for our trade receivables as at 31 December 2020:

		Past due			
	Current	**1 – 30 days**	**31 – 120 days**	**More than 120 days**	**Total**
Trade receivables (RM'000)(1)	14,610	3,367	1,931	1,282	21,190
% of total trade receivables	68.9%	15.9%	9.1%	6.1%	100.0%
As at the LPD:					
Trade receivables settled (RM'000)(2)	14,326	3,281	1,739	448	19,794
Trade receivables settled (% of total trade receivables)	67.6%	15.5%	8.2%	2.1%	93.4%
Trade receivables outstanding (RM'000)	284	86	192	834	1,396

Notes:

(1) Includes CIBI's trade receivables of RM3.8 million, or 17.8% of our total trade receivables.

(2) Includes CIBI's trade receivables settled of RM3.3 million, or 16.7% of our total trade receivables settled.

We do not have any significant exposure to any customer which we believe is not recoverable.

12.2.13 Off-balance sheet arrangements

We did not have any off-balance sheet arrangements during the FYEs 31 December 2018, 31 December 2019 and 31 December 2020.

12.2.14 Financial risk management

We are exposed to certain financial risks arising from our operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign exchange risk. As at the LPD, we do not have any derivative or hedging transactions to manage any of our market risks.

Our Board has overall responsibility for the oversight of financial risk management, including the identification of operational and strategic risks, and subsequent action plans to manage these risks. Our management is responsible for identifying, monitoring and managing our risk exposures, and reviews and agrees on the policies and procedures for the management of these risks.

Our key financial risks are as follows:

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Our exposure to credit risk arises primarily from deposits, cash and bank balances and receivables.

We control credit risks of trade and other receivables through credit approvals, review process and continuous monitoring procedures. We limit our exposure to credit risks by primarily engaging with creditworthy business partners and customers. We monitor our trade and other receivables on an ongoing basis through our internal management reporting procedures. We have no significant concentration of credit risk as our policies require us to limit financial concentration to a single counterparty.

Liquidity risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to shortage of funds. Our objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. As part of our overall liquidity management, we monitor rolling forecasts of our liquidity requirements to ensure we have sufficient cash or cash convertible investments to meet our operational needs. In addition, we strive to maintain available banking facilities at a reasonable level to our overall debt position.

The following table summarises the maturity profile of our liabilities as at 31 December 2020 based on contractual repayment obligations:

	Carrying amount	Total undiscounted contractual cash flow	Within one year	One to two years	Two to five years
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Payables and accruals[(1)]	11,692	11,692	11,692	-	-
Amount due to a related party	371	371	371	-	-
Lease liabilities[(2)]	2,251	2,285	1,891	356	38
Term loans	132,320	146,345	146,345	-	-
Total	**146,634**	**160,693**	**160,299**	**356**	**38**

Notes:

(1) Includes CIBI payables and accruals with a carrying amount of RM 3.2 million.

(2) Includes CIBI lease liabilities of RM0.9 million (carrying amount), RM0.5 million (within one year), RM0.4 million (one to two years) and RM 38,000 (two to five years).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market interest rates. Our exposure to interest rate risk arises primarily from our term loans that carry variable floating interest rates.

The information on maturities and effective interest rates of financial assets and liabilities are further disclosed in Notes 2.27 to the Accountants' Report included in Section 13 of this Prospectus.

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

As at 31 December 2020	Weighted average effective interest rate	Total carrying amount	Floating interest rate		
			<1 year	**1-2 years**	**2-5 years**
	%	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Term loans	2.58	87,558	87,558	-	-
	4.33	44,762	44,762	-	-
		132,320	**132,320**	**-**	**-**

Our exposure to interest rate risk is primarily due to the variable rates of interest of our borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. As at 31 December 2020, we had no significant exposure to interest rate risk.

Foreign exchange risk

Our currency risk management policies enable us to effectively manage the foreign exchange fluctuation against its functional currency that may arise from future commercial transactions and recognised assets and liabilities. We monitor the movement in foreign currency exchange rates closely to ensure our exposure to foreign currency risks is minimised. As at 31 December 2020, the total currency exposure of financial assets and financial liabilities that are not denominated in RM includes RM84.5 million in USD.

The sensitivity of our profit for the financial year and equity to a reasonably possible fluctuation in USD against RM and PHP are set out in Note 2.27 of the Accountants' Report in Section 13 of this Prospectus.

12.2.15 Treasury policy and objectives

Our treasury responsibilities are to ensure that we have sufficient liquidity and cash to meet financial obligations when it falls due. Our principal sources of liquidity are our cash and bank balances, cash generated from our operations and borrowings from financial institutions.

We maintain a prudent borrowing policy which is aimed towards maintaining sufficient cash for all cash flow requirements, managing debt and investment portfolio within the relevant time buckets to maturity, obtaining a diverse range of funding source and keeping an adequate amount of credit facilities. With a series of appropriate governance and policies in place, it is the responsibility of treasury to identify, quantify, monitor and control the risks (liquidity, interest, credit, legal and regulatory) associated with these activities.

We prepare monthly forecasts taking into account all major transactions to ensure we have sufficient liquidity and cash to meet our obligation. Any excess funds, which are temporary in nature, will be invested in highly liquid investment instruments such as interest bearing current accounts, time deposits and money market deposits. On a quarterly basis, we perform rolling twelve-month cash flow projections to ensure that requirements are identified as early as possible and we have sufficient cash to meet operational needs. Such projections take into consideration our financing plans and are also used for monitoring of external loans' covenant compliance.

12.2.16 Inflation

Inflation has not had a material impact on our business, financial condition or results of operations for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020. However, inflation may affect our financial performance by increasing certain of our expenses, such as expenses relating to employee benefits. Any increase in the inflation rate beyond levels experienced in the past may affect our operations and financial performance if we are unable to fully offset higher costs through increased revenue.

12.2.17 Government / economic / fiscal / monetary policies

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 5.1 of this Prospectus.

12.2.18 Order book

Due to the nature of our business, we do not maintain an order book.

12.2.19 Trends information

Save as disclosed in this Section and in Sections 5, 7 and 8 of this Prospectus, to the best of our Board's knowledge and belief, there are no other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our financial condition and results of operations.

12.2.20 Significant changes

Save as disclosed elsewhere in the Prospectus, no significant changes have occurred since 31 December 2020 which may have a material effect on our financial position and results of operations.

12.2.21 Accounting standards issued that are not yet effective

For a description of accounting standards that are issued but not yet effective and not adopted, see Note 2.1(b) of the Accountants' Report in Section 13 of this Prospectus.

12.3 CAPITALISATION AND INDEBTEDNESS

The following table sets out our consolidated capitalisation and indebtedness as at 30 April 2021 and on the assumption that our IPO, Listing and the use of proceeds from our Public Issue as set out in Section 4.6 of this Prospectus had occurred on 30 April 2021. The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 30 April 2021 and is provided for illustrative purposes only.

	As at 30 April 2021	**After our IPO, Listing and use of proceeds**
	RM'000	**RM'000**
Borrowings		
Current		
Secured		
Term loans	156,990	-
Revolving credit facility	-	-
	156,990	**-**
Equity attributable to owners of the Company	100,737	314,417
Non-controlling interests	4,475	4,475
Total equity	**105,212**	**318,892**
Total capitalisation and indebtedness	**262,202**	**318,892**

12.4 REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

pwc

The Board of Directors
CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
Unit 01-12, Level 8
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

15 June 2021

PwC/PH/KSF/MW/sw/0362C

Dear Sirs,

CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
Report on the Compilation of Pro Forma Consolidated Financial Information

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Financial Information of CTOS Digital Berhad ("the Company") and its subsidiaries ("the Group") that comprises the Pro Forma Consolidated Statements of Financial Position as at 31 December 2020, Pro Forma Consolidated Statement of Comprehensive Income and Pro Forma Consolidated Statement of Cash Flows for the financial year ended 31 December 2020 together with the notes thereon (collectively known as the "Pro Forma Consolidated Financial Information"). The Pro Forma Consolidated Financial Information (which we have stamped for the purpose of identification), has been compiled by the Directors of the Company ("the Directors") for purposes of inclusion in the Prospectus of the Company in connection with the initial public offering of the ordinary shares in the Company ("IPO") and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing").

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Financial Information are described in the Notes thereon to the Pro Forma Consolidated Financial Information and are specified in paragraphs 9.18, 9.19 and 9.20 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

Directors' Responsibility for the Pro Forma Consolidated Financial Information

The Pro Forma Consolidated Financial Information has been compiled by the Directors, for illustrative purposes only, to show the effects of the transactions as set out in the Notes thereon to the Pro Forma Consolidated Financial Information on the Company's Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows (together, the "Consolidated Financial Information") presented had these transactions been effected at the commencement of the year reported on or at the date stated. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the audited consolidated financial statements of the Company for the financial year ended 31 December 2020 on which an audit opinion has been issued.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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The Board of Directors
CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
PwC/PH/KSF/MW/sw/0362C
15 June 2021

CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
Report on the Compilation of Pro Forma Consolidated Financial Information (continued)

Directors' Responsibility for the Pro Forma Consolidated Financial Information (continued)

The Directors are responsible for compiling the Pro Forma Consolidated Financial Information on the basis set out in the Notes thereon to the Pro Forma Consolidated Financial Information and in accordance with the requirements of the Prospectus Guidelines and with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Financial Information has been compiled, in all material respects, by the Directors on the basis set out in the Notes thereon to the Pro Forma Consolidated Financial Information and in accordance with the requirements of the Prospectus Guidelines and with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

We conducted our engagement in accordance with approved standard on assurance engagements in Malaysia, International Standard on Assurance Engagements ("ISAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Financial Information on the basis set out in the Notes thereon to the Pro Forma Consolidated Financial Information and in accordance with the requirements of the Prospectus Guidelines and with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

pwc

The Board of Directors
CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
PwC/PH/KSF/MW/sw/0362C
15 June 2021

CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
Report on the Compilation of Pro Forma Consolidated Financial Information (continued)

Reporting Accountants' Responsibilities (continued)

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Financial Information. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

The purpose of the Pro Forma Consolidated Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Financial Information has been compiled in all material respects, on the basis of the applicable criteria, involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Consolidated Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company and its subsidiaries, the event or transaction in respect of which the Pro Forma Consolidated Financial Information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

pwc

The Board of Directors
CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
PwC/PH/KSF/MW/sw/0362C
15 June 2021

CTOS Digital Berhad (formerly known as CTOS Holdings Sdn Bhd)
Report on the Compilation of Pro Forma Consolidated Financial Information (continued)

Our Opinion

In our opinion, the Pro Forma Consolidated Financial Information has been compiled, in all material respects, on the basis set out in the Notes thereon to the Pro Forma Consolidated Financial Information and in accordance with the requirements of the Prospectus Guidelines and with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

Other matter

This report is issued for the sole purpose of inclusion in the Prospectus of the Company in connection with the IPO and Listing and should not be used or relied upon for any other purpose. Accordingly, we will not accept any liability or responsibility to any other party to whom our opinion is shown or into whose hands it may come.

Yours faithfully,

PRICEWATERHOUSECOOPERS PLT	PAULINE HO
LLP0014401-LCA & AF 1146	02684/11/2021 J
Chartered Accountants	Chartered Accountant

CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

1. INTRODUCTION

The Pro Forma Consolidated Financial Information of CTOS Digital Berhad ("the Company") and its subsidiaries (collectively, "the Group") together with the notes thereon, of which the Directors are solely responsible, have been prepared for illustrative purposes for inclusion in the Prospectus of the Company in connection with the initial public offering ("IPO") comprising an offer for sale of existing ordinary shares in the Company ("Shares") ("Offer for Sale") and a public issue of new Shares ("Public Issue"), in conjunction with the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

The Pro Forma Consolidated Financial Information comprises the following:

Section 2 : Pro Forma Consolidated Statements of Financial Position as at 31 December 2020 (the "Pro Forma SOFP") which have been prepared based on the assumption that the transactions set out in Notes 1.1.2, 1.1.3, 1.1.4, 1.1.5 and 1.2 were effected on 31 December 2020.

Section 3 : Pro Forma Consolidated Statement of Comprehensive Income (the "Pro Forma SOCI") for the financial year ended 31 December 2020 which has been prepared based on the assumption that the investments in Business Online Public Company Limited ("BOL") and CTOS Basis Sdn Bhd (formerly known as Basis Corporation Sdn Bhd) ("Basis") as set out in Notes 1.1.1 and 1.1.2 had been acquired on 1 January 2020. The transactions set out in Notes 1.1.3, 1.1.5 and 1.2 are not illustrated in the Pro Forma SOCI.

Section 4 : Pro Forma Consolidated Statement of Cash Flows (the "Pro Forma SOCF") for the financial year ended 31 December 2020 which has been prepared based on the assumption that the investments in BOL and Basis as set out in Notes 1.1.1 and 1.1.2 had been acquired on 1 January 2020. The transactions set out in Notes 1.1.3, 1.1.4, 1.1.5 and 1.2 are not illustrated in the Pro Forma SOCF.

The Pro Forma SOFP is to be read separately from the Pro Forma SOCI and Pro Forma SOCF as the assumptions applied to each of the pro forma statements are different as set out in the notes below.

1.1 Completed Material Transactions

Paragraphs 9.19 and 9.20 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the SC, require the effects of the following material transactions to be illustrated in the Pro Forma Consolidated Financial Information. Other acquisitions and disposals completed since 1 January 2020 were not illustrated in the Pro Forma Consolidated Financial Information as these were deemed not to be material pursuant to paragraph 9.21 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines.

1.1.1 Acquisition of BOL

On 12 October 2020, the Company entered into a Sale and Purchase Agreement to acquire a 20.0% equity interest in BOL, a company listed on the Thailand Stock Exchange for a total cash consideration of USD22.1 million (approximately RM91.9 million). The acquisition was completed on 28 October 2020 and was financed by a term loan facility amounting to USD22.1 million (approximately RM91.9 million) ("RHB Term Loan 1").

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

1. INTRODUCTION (CONTINUED)

1.1 Completed Material Transactions (continued)

1.1.1 Acquisition of BOL (continued)

The acquisition of BOL, which is an investment in an associate is illustrated in the Pro Forma SOCI and Pro Forma SOCF assuming that the acquisition and the drawdown of RHB Term Loan 1 were completed on 1 January 2020. The acquisition of BOL is not illustrated as part of the adjustments to the Pro Forma SOFP as it has been included in the Company's audited consolidated statement of financial position ("SOFP") as at 31 December 2020.

1.1.2 Acquisition of Basis

On 8 December 2020, the Company had also entered into a Sale and Purchase Agreement ("SPA") to acquire a 100.0% equity interest in Basis for an upfront cash consideration of RM32.0 million and an earn-out payment that is computed based on the revenue target of Basis. The earn-out payment is computed based on two times the total revenue of Basis for the financial year ended 30 June 2020, adjusted in proportion to the achievement of the revenue target for the period of January 2021 to December 2022. As stated in the SPA, for an estimated revenue target of RM14.0 million ("Revenue Target"), the earn-out payment will be RM8.0 million. The earn-out payment will be adjusted accordingly based on the actual Revenue Target achieved and is not capped. The earn-out payment is accounted for as a contingent consideration and is payable no later than 30 March 2023. For purposes of illustration in the Pro Forma SOFP, the fair value of the contingent consideration payable by the Company is assumed to be RM9.4 million as at 31 December 2020 as set out in Note 2.2.1.1.

The acquisition of Basis was completed on 4 January 2021 and the upfront consideration of RM32.0 million was paid accordingly. The acquisition was financed by a term loan facility amounting to RM32.0 million ("RHB Term Loan 3").

The acquisition of Basis, which became a subsidiary of the Company on 4 January 2021, is illustrated in the Pro Forma SOFP assuming that the acquisition and the drawdown of RHB Term Loan 3 were completed on 31 December 2020. The aforesaid acquisition is illustrated in the Pro Forma SOCI and Pro Forma SOCF assuming that the acquisition and the drawdown of RHB Term Loan 3 were completed on 1 January 2020.

1.1.3 Pre-IPO Dividend

On 20 January 2021, the Board of Directors approved an interim dividend of RM5,250,000 for the financial year ended 31 December 2020 which was paid on 21 January 2021.

On 31 March 2021, the Board of Directors approved an interim dividend of RM17,000,000 for the financial year ended 31 December 2020. The dividend will be paid in two tranches of which RM9,000,000 was paid on 5 April 2021 and RM8,000,000 will be paid in June 2021 via internally generated funds.

Collectively, the aforesaid interim dividends are called the Pre-IPO Dividend.

The Pre-IPO Dividend is illustrated in the Pro Forma SOFP as paid in cash of RM14,250,000 and dividend payable of RM8,000,000 respectively.

The Pre-IPO Dividend is only illustrated in the Pro Forma SOFP in accordance with paragraph 9.20 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines.

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CTOS DIGITAL BERHAD
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PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

1. INTRODUCTION (CONTINUED)

1.1 Completed Material Transactions (continued)

1.1.4 Subdivision of Shares

The Company undertook a subdivision of every one Share of the Company into 20 Shares in preparation for the IPO ("Subdivision") on 10 June 2021. Following the Subdivision, the number of Shares in the Company increased from 100,000,000 Shares to 2,000,000,000 Shares.

There is no financial impact to the Pro Forma Consolidated Financial Information arising from the Subdivision other than the computation of earnings per share as set out in the Pro Forma SOCI and illustration of net assets per share attributable to owners of the Company in the supplementary information to the Pro Forma SOFP.

1.1.5 Distribution

The Company completed a distribution by way of dividend-in-specie 4,900,001 ordinary shares in CIBI Holdings Pte Ltd (formerly known as CTOS SG Pte Ltd) ("CIBI Holdings") held by the Company, representing the entire equity interest in CIBI Holdings ("Distribution") to the existing shareholders of the Company on 15 June 2021. The approval and consent from the Company's lender had been obtained for the Distribution in accordance with the terms of the relevant facilities agreements.

CIBI Holdings whose principal activity is an investment holding company, is a wholly owned subsidiary of the Company that was incorporated on 9 March 2020. CIBI Holdings had acquired a 51% equity interest in CIBI Information, Inc ("CIBI"), a credit bureau incorporated in the Philippines on 19 June 2020 for approximately RM15.0 million which was accounted for as a subsidiary of CIBI Holdings.

Following the Distribution, CIBI Holdings and CIBI ceased to be subsidiaries of the Company. The Distribution is illustrated in the Pro Forma SOFP assuming that the Distribution was completed on 31 December 2020.

1.2 The Proposal (as defined herein)

The IPO will be undertaken in conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Securities, with the assumption that these transactions were completed on 31 December 2020.

(a) Public issue

The Public Issue comprises an issuance of 200,000,000 new Shares ("Issue Shares"), representing approximately 9.09% of the Company's enlarged issued share capital at the indicative price of RM1.10 per Issue Share. The total gross proceeds from the Public Issue is RM220.0 million.

Upon completion of the Public Issue, the issued share capital of the Company will increase from RM197,994,000 comprising 2,000,000,000 shares to RM411,896,000 comprising 2,200,000,000 shares net of fees and expenses directly attributable to the Public Issue as set out in Note 1.2(c)below.

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

1. INTRODUCTION (CONTINUED)

1.2 The Proposal (as defined herein) (continued)

(b) Offer for Sale

The Offer for Sale comprises an offer for sale of up to 900,000,000 Shares ("Offer Shares") by the existing shareholders of the Company ("Selling Shareholders"), representing approximately 40.9% of the Company's enlarged issued share capital at the indicative price of RM1.10 per Offer Share.

The Company will not receive any proceeds from the Offer for Sale. The total gross proceeds from the Offer for Sale of up to approximately RM990.0 million will accrue entirely to the Selling Shareholders and will be utilised by the Selling Shareholders.

(c) Utilisation of proceeds

The gross proceeds from the Public Issue of RM220.0 million is expected to be utilised as follows:

No.	Details of utilisation	Estimated timeframe for utilisation from the date of the Listing	Amounts RM'mil	Percentage of gross proceeds %
(a)	Repayment of bank borrowings	Within three months	155.2	70.5
(b)	Defray fees and expenses for the IPO and Listing[(1)]	Within six months	6.1	2.8
(c)	Acquisitions to be identified[(2)]	Within 36 months	58.7	26.7
	Total		220.0	100.0

Notes:

(1) Comprises placement fee, brokerage fees and underwriting commission in respect of the issuance of new shares under the Public Issue. These estimated expenses which are directly attributable to the issuance of new shares will be debited against the share capital of the Company upon completion of the IPO. The other fees and expenses in respect of the Proposal which are estimated to be RM10.9 million will be borne by Inodes Limited ("Inodes"), the immediate holding company of the Company. The Selling Shareholders will bear the placement, brokerage and incentive fees in relation to the Offer for Sale which are estimated at approximately RM21.0 million.

(2) Acquisition targets are companies with products and solutions that complement the Group and have significant potential growth within Malaysia and Asia-Pacific region. The Company has identified a target business in the Asia-Pacific region and such acquisition plan is still in an early discussion phase. As such, the proceeds that are earmarked for acquisitions are included in cash and bank balances in the Pro Forma SOFP.

(Collectively, items (a), (b) and (c) are referred to as the "Proposal")

The Proposal is only illustrated in the Pro Forma SOFP in accordance with paragraph 9.18 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines.

CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Pro Forma SOFP as at 31 December 2020 have been prepared for illustrative purposes only to show the effects on the audited consolidated SOFP of the Company as at 31 December 2020 based on the assumption that the transactions set out in Note 1 (other than Note 1.1.1) had been effected on that date, and should be read in conjunction with the notes in this section.

	Audited	Pro Forma I	Pro Forma II
	Consolidated SOFP as at 31.12.2020	After the Completed Material Transactions	After Pro Forma I and the Proposal
	RM'000	RM'000	RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	16,911	16,295	16,295
Right-of-use assets	2,071	1,303	1,303
Intangible assets	49,572	79,061	79,061
Investment in associates	150,835	150,835	150,835
Receivables, deposits and prepayments	905	-	-
Deferred tax assets	1,080	222	222
TOTAL NON-CURRENT ASSETS	221,374	247,716	247,716
CURRENT ASSETS			
Receivables, deposits and prepayments	28,223	23,813	23,813
Amount due from related parties	3	3	3
Tax recoverable	13	13	13
Cash and bank balances	26,371	8,687	58,000
TOTAL CURRENT ASSETS	54,610	32,516	81,829
CURRENT LIABILITIES			
Payables and accruals	17,120	21,870	21,870
Contract liabilities	6,681	6,929	6,929
Lease liabilities	1,876	1,401	1,401
Provision for restoration costs	603	603	603
Amount due to a related party	371	371	371
Borrowings	132,320	163,693	-
Taxation	489	727	727
TOTAL CURRENT LIABILITIES	159,460	195,594	31,901
NET CURRENT (LIABILITIES)/ASSETS	(104,850)	(163,078)	49,928

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CTOS DIGITAL BERHAD
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PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Audited	Pro Forma I	Pro Forma II
	Consolidated SOFP as at 31.12.2020	After the Completed Material Transactions	After Pro Forma I and the Proposal
	RM'000	RM'000	RM'000
NON-CURRENT LIABILITIES			
Other payables	-	9,444	9,444
Deferred tax liabilities	-	124	124
Lease liabilities	375	-	-
Provision for defined benefit plan	421	-	-
TOTAL NON-CURRENT LIABILITIES	796	9,568	9,568
NET ASSETS	115,728	75,070	288,076
EQUITY			
Share capital	197,994	197,994	411,896
Reverse acquisition reserve	(193,528)	(193,528)	(193,528)
Equity contribution from shareholder	315	315	315
Other reserves	(45)	329	329
Retained earnings	106,025	69,960	69,064
Equity attributable to the owners of the Company	110,761	75,070	288,076
Non-controlling interests	4,967	-	-
TOTAL EQUITY	115,728	75,070	288,076
Supplementary information:			
Number of shares in issue ('000)			
- Before Subdivision and Public Issue	100,000	100,000	100,000
- After Subdivision	2,000,000	2,000,000	2,000,000
- After Subdivision and Public Issue	2,200,000	2,200,000	2,200,000
Net Assets per share attributable to owners of the Company (RM)			
- Before Subdivision and Public Issue	1.11	0.75	2.88
- After Subdivision	0.06	0.04	0.14
- After Subdivision and Public Issue	0.05	0.03	0.13

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2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.1 Basis of preparation

The Pro Forma SOFP as at 31 December 2020 have been prepared based on the audited consolidated SOFP of the Company as at 31 December 2020 which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of financial statements and accounting policies of the Group except for the adoption of the following:

The Company has adopted a new accounting policy in accounting for the Distribution. The distribution of a non-cash asset that is ultimately controlled by the same party or parties (that is, common control) before and after the distribution is based on the book value of the non-cash asset that is being distributed. At the Group level, the Distribution has been reflected as a distribution of the net assets of CIBI Holdings and CIBI at their carrying amounts to the equity owners of the Company with a corresponding charge to retained earnings.

Basis' assets and liabilities have been consolidated in the Pro Forma SOFP based on its audited financial statements for the financial year ended 30 June 2020, after adjustments to align to the accounting policies of the Group. For purposes of the Pro Forma SOFP, Basis' financial position as at 30 June 2020 has been used even though it is not coterminous with the Company's financial year end, as the financial period covers a complete year and Basis' business is not seasonal. The statutory auditors of Basis for the financial year ended 30 June 2020 is S.M. Tuang & Co.

The Pro Forma SOFP as at 31 December 2020 have been prepared for illustrative purposes only to show the effects of the transactions as set out in Note 1 (other than Note 1.1.1) on the audited consolidated SOFP of the Company as at 31 December 2020 had the transactions been effected on 31 December 2020, and should be read in conjunction with the notes to the Pro Forma SOFP. Such information, because of its hypothetical nature, does not give a true picture of the actual effects of the transactions or events on the financial information presented had the transaction or event occurred on 31 December 2020. Further, such information does not purport to predict the Group's future financial position.

2.2 Adjustments in arriving at the Pro Forma SOFP

2.2.1 Pro Forma I

Pro Forma I incorporate the effects after the Completion of the Material Transactions comprising the Acquisition of Basis as set out in Note 2.2.1.1, the Pre-IPO Dividend as set out in Note 1.1.3 and the Distribution as set out in Note 2.2.1.2.

There is no financial impact to the Pro Forma Consolidated Financial Information arising from the Subdivision as set out in Note 1.1.4.

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Adjustments in arriving at the Pro Forma SOFP (continued)

2.2.1 Pro Forma I (continued)

2.2.1.1 Acquisition of Basis

For purposes of illustration in the Pro Forma SOFP, it is assumed that the Company completed the acquisition of 100.0% equity interest in Basis for a total consideration of RM41.4 million comprising an upfront cash consideration of RM32.0 million and contingent consideration at a fair value of RM9.4 million. The fair value of Basis' assets and liabilities as at the assumed date of acquisition are as follows:

Items	**Fair value RM'000**
Property, plant and equipment	11
Intangible assets	873
Right-of-use assets	38
Receivables, deposits and prepayments	1,142
Cash and bank balances	3,164
Payables and accruals	(1,350)
Contract liabilities	(363)
Deferred tax liabilities	(124)
Lease liabilities	(39)
Tax payable	(238)
Net identifiable assets acquired	3,114
Purchase consideration:	
Cash consideration	32,000
Contingent consideration	9,444
Goodwill	38,330

The difference between the fair value of the purchase consideration and fair value of the identifiable assets and liabilities is recognised as goodwill.

For purposes of illustration in the Pro Forma SOFP, the Company has estimated the fair value of the earn out payment which is accounted for as a contingent consideration to be RM9.4 million, by applying a discount rate of 3.8% and assumed a probability-adjusted revenue of Basis of between RM15.7 million and RM18.5 million for the next two years. The contingent consideration has been included within non-current other payables as no amount is due within the next 12 months.

Total acquisition costs were RM0.3 million of which RM0.1 million which was incurred subsequent to the financial year ended 31 December 2020 have been illustrated as an adjustment in the retained earnings of the Pro Forma SOFP. The acquisition costs of RM0.2 million which were incurred in the financial year ended 2020 have been accrued as at 31 December 2020.

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2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Adjustments in arriving at the Pro Forma SOFP (continued)

2.2.1 Pro Forma I (continued)

2.2.1.1 Acquisition of Basis (continued)

It has also been illustrated in the Pro Forma SOFP that the Company had drawn down RM32.0 million of RHB Term Loan 3 to pay the upfront cash consideration of RM32.0 million for the acquisition of Basis. Transaction cost of RM0.6 million was estimated to be incurred and was net off against the borrowings in the Pro Forma SOFP. The borrowings are repayable in quarterly instalments over a five-year period with certain mandatory prepayment terms. The borrowings bear interest at a variable rate of 2.0% above cost of funds.

2.2.1.2 Distribution

In accordance with the accounting policy of the Company, all the assets and liabilities of CIBI Holdings and CIBI have been illustrated as a distribution to the owners of the Company at their carrying values resulting in a charge to the retained earnings of RM13.7 million as at 31 December 2020 as follows:

Assets and liabilities distributed	**Net book value RM'000**
Property, plant and equipment	627
Right-of-use assets	806
Goodwill	8,156
Intangible assets other than goodwill	1,558
Deferred tax assets	858
Receivables, deposits and prepayments	6,457
Cash and bank balances	5,677
Payables and accruals	(4,402)
Contract liabilities	(115)
Lease liabilities	(889)
Provision for defined benefit plan	(421)
Total net assets	18,312
Less: non-controlling interests	(4,967)
Other reserves transferred to retained earnings	374
Total charge to retained earnings	**13,719**

2.2.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I as set out in Note 2.2.1 and the effects of the Proposal (including utilisation of proceeds) as set out in Note 1.2.

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2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.3 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The movement in selected assets and liabilities of the Group are as follows:

2.3.1 Cash and bank balances

The movements in cash and bank balances are as follows:

	RM'000	RM'000
Audited as at 31 December 2020		26,371
Add: Drawdown of borrowings		32,000
Less: Payment of transaction cost incurred in respect of the borrowings		(627)
Less: Acquisition of Basis net of cash acquired		(28,836)
Less: Acquisition cost incurred for acquisition of Basis		(294)
Less: Pre-IPO dividend paid (Note 1.1.3)		(14,250)
Less: Distribution (Note 2.2.1.2)		(5,677)
Per Pro Forma SOFP I		**8,687**
Add: Proceeds from the Public Issue (Note 1.2(c))		220,000
Less: Repayment of bank borrowings		
- IPO proceeds	(155,181)	
- Internally generated funds	(9,408)	(164,589)
Less: Estimated listing expenses		(6,098)
Per Pro Forma SOFP II		**58,000**

2.3.2 Share capital

The movements in share capital are as follows:

	Number of shares '000	RM'000
Audited as at 31 December 2020	100,000	197,994
Add: Effect of Subdivision of Shares (Note 1.1.4)	1,900,000	-
Per Pro Forma SOFP I	2,000,000	197,994
Add: Effect of Public Issue (Note 1.2(a))	200,000	220,000
Less: Estimated expenses directly attributable to the Public Issue (Note 1.2(c))	-	(6,098)
Per Pro Forma SOFP II	**2,200,000**	**411,896**

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2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.3 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.3.3 Retained earnings

The movements in retained earnings within equity are as follows:

	RM'000
Audited as at 31 December 2020	106,025
Less: Pre-IPO dividend (Note 1.1.3)	(22,250)
Less: Acquisition cost arising from the acquisition of Basis	(96)
Less: Distribution (Note 2.2.1.2)	(13,719)
Per Pro Forma SOFP I	**69,960**
Less: Unamortised borrowing costs	(896)
Per Pro Forma SOFP II	**69,064**

RM8.0 million of interim dividend that was declared on 31 March 2021 have been included within payables and accruals under current liabilities in the Pro Forma SOFP.

2.3.4 Borrowings

The movements in bank borrowings are as follows:

		RM'000
Audited as at 31 December 2020		132,320
Add: Drawdown of borrowings net of transaction cost (Note 2.2.1.1)		31,373
Per Pro Forma SOFP I		**163,693**
Less: Repayment of borrowings		
- IPO proceeds	(155,181)	
- Internally generated funds	(9,408)	(164,589)
Add: Unamortised borrowing costs charged to retained earnings		896
Per Pro Forma SOFP II		-

The RHB Term Loan 3 drawn down for the acquisition of Basis has been classified as current liabilities due to the mandatory prepayment term in the loan agreement which stipulates that the loan must be fully repaid upon the receipt of the proceeds from the IPO.

The repayment of RM155.2 million of bank borrowings is assumed to be funded from the IPO proceeds and RM9.4 million from the Group's internally generated funds. The repayment of the entire borrowings comprising RHB Term Loan 1, another term loan facility drawn down on 28 October 2020 to repay its existing borrowings ("RHB Term Loan 2") and RHB Term Loan 3 is mandatory without penalty in the event of an IPO based on the loan agreements. The unamortised borrowing cost is charged to retained earnings upon repayment of the borrowings comprising RM0.6 million relating to RHB Term Loan 3 and RM0.3 million in relation to RHB Term Loan 1 and RHB Term Loan 2.

3. PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Pro Forma SOCI for the financial year ended 31 December 2020 has been prepared for illustrative purposes only to show the effects on the audited consolidated statement of comprehensive income ("SOCI") of the Company for the financial year ended 31 December 2020 based on the assumption that BOL and Basis as set out in Notes 1.1.1 and 1.1.2 had been acquired on 1 January 2020, and should be read in conjunction with the notes in this section.

3.1 Basis of preparation

The Pro Forma SOCI for the financial year ended 31 December 2020 has been prepared based on the audited consolidated SOCI of the Company for the financial year ended 31 December 2020 which was prepared in accordance with MFRS and IFRS, and in a manner consistent with the format of financial statements and accounting policies of the Group.

For illustrative purposes, the Pro Forma SOCI has been prepared based on the following assumptions:

(1) The acquisition of BOL and Basis as disclosed in Note 1.1 have been completed on 1 January 2020.

(2) BOL has been equity accounted for in accordance with MFRS 128 'Investment in Associates and Joint Ventures' ("MFRS 128") based on the results as disclosed in its published financial statements for the financial year ended 31 December 2020, after adjustments to align to the accounting policies of the Group. The statutory auditors of BOL for the financial year ended 31 December 2020 is EY Office Limited.

(3) Basis' results have been consolidated based on its audited financial statements for the financial year ended 30 June 2020, after adjustments to align to the accounting policies of the Group. For purposes of the Pro Forma SOCI, Basis' financial performance for the financial year ended 30 June 2020 has been used even though it is not coterminous with the Company's financial year end, as the financial period covers a complete year and Basis' business is not seasonal.

(4) The purchase price allocations ("PPA") were performed for the acquisitions of BOL and Basis in accordance with MFRS 3 'Business Combinations' ("MFRS 3") and the amortisation of the intangible assets identified from the PPA and the corresponding deferred tax impacts have been included in the Pro Forma SOCI.

(5) The finance costs arising from borrowings assumed to have been drawn down on 1 January 2020 to finance the acquisitions of BOL and Basis have been included in the Pro Forma SOCI.

The Pro Forma SOCI has been prepared for illustrative purposes only. Such information, because of its hypothetical nature, does not give a true picture of the actual results of the Group. Further, such information does not purport to predict the Group's future financial results.

The Pro Forma SOCI and Pro Forma SOCF are to be read separately from the Pro Forma SOFP as the assumptions applied to each of the pro forma statements are different as set out in the notes below.

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CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn Bhd)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

3.2 Pro Forma SOCI for the financial year ended 31 December 2020

	Audited Financial year ended 31.12.2020	Adjustments (Note 3.2.1(a))	Adjustments (Note 3.2.1(b))	Pro Forma Financial year ended 31.12.2020
	RM'000		RM'000	RM'000
Revenue	140,496	7,070	-	147,566
Cost of sales	(19,056)	(2,723)	-	(21,779)
Gross profit	121,440	4,347	-	125,787
Selling and marketing expenses	(33,902)	(56)	-	(33,958)
Administrative expenses	(44,931)	(1,873)	(96)	(46,900)
Other income/(expenses)	174	(557)	-	(383)
Finance costs	(4,234)	(4)	(3,692)	(7,930)
Share of profits of associates	1,785	3,753	-	5,538
Profit before tax	40,332	5,610	(3,788)	42,154
Tax expense	(2,355)	(554)	-	(2,909)
Profit for the financial year	37,977	5,056	(3,788)	39,245
Other comprehensive (loss)/ income				
Items that will be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	(231)	(2,041)	-	(2,272)
Share of other comprehensive income of associates accounted for using equity method	86	-	-	86
Items that will not be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	(120)	-	-	(120)
Share of other comprehensive income of associates accounted for using equity method	243	(1)	-	242
Remeasurement of provision for defined benefit plan, net of tax	(280)	-	-	(280)
Other comprehensive loss for the financial year	(302)	(2,042)	-	(2,344)
Total comprehensive income/(loss) for the financial year	37,675	3,014	(3,788)	36,901
Profit/(loss) for the financial year attributable to:				
Owners of the Company	39,187	5,056	(3,788)	40,455
Non-controlling interests	(1,210)	-	-	(1,210)
	37,977	5,056	(3,788)	39,245

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CTOS DIGITAL BERHAD
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PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

3.2 Pro Forma SOCI for the financial year ended 31 December 2020 (continued)

	Audited Financial year ended 31.12.2020	Adjustments (Note 3.2.1(a))	Adjustments (Note 3.2.1(b))	Pro Forma Financial year ended 31.12.2020
	RM'000		RM'000	RM'000
Total comprehensive income/(loss) for the financial year attributable to:				
Owners of the Company	39,142	3,014	(3,788)	38,368
Non-controlling interests	(1,467)	-	-	(1,467)
	37,675	3,014	(3,788)	36,901
Earnings per Share (sen) for profit attributable to equity holders of the Company (Note 3.2.1(c))				
After the Subdivision:				
- Basic	2.0			2.0
- Diluted	2.0			2.0

3.2.1 Adjustments in arriving at the Pro Forma SOCI

The adjustments to the Pro Forma SOCI relates to the accounting for the Group's share of results in BOL and consolidation of the financial results of Basis for the financial year ended 31 December 2020.

(a) Acquisition of Basis and BOL

Basis

The adjustments in relation to the consolidation of the financial results of Basis for the financial year ended 31 December 2020 assuming that the acquisition was completed on 1 January 2020 are as follows:

	RM'000
Revenue	7,070
Cost of sales	(2,723)
Selling and marketing expenses	(56)
Administrative expenses	(1,873)
Other income	50
Finance costs	(4)
Tax expense	(554)

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3. PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

3.2 Pro Forma SOCI for the financial year ended 31 December 2020 (continued)

3.2.1 Adjustments in arriving at the Pro Forma SOCI (continued)

(a) Acquisition of Basis and BOL (continued)

Fair value changes of RM0.6 million arising from the contingent consideration payable was also illustrated in the Pro Forma SOCI following the fair value remeasurement as at 31 December 2020 assuming that the fair value of the contingent consideration was initially recognised on 1 January 2020 upon the completion of acquisition of Basis.

Amortisation expenses of RM175,000 and deferred tax income of RM42,000 have been illustrated to reflect the amortisation of acquired intangible assets (arising from the PPA performed) with an assumed useful life of five years.

BOL

The pro forma adjustments reflect the incremental results for the period from 1 January 2020 to 27 October 2020 that have not been reflected in the audited consolidated SOCI for the financial year ended 31 December 2020 assuming that the acquisition of BOL was completed on 1 January 2020 instead of the acquisition date of 28 October 2020.

	RM'000
Share of profits of associates	3,753
Other comprehensive loss	(2,042)

Included within the adjustment of share of profits of associates are amortisation expenses net of deferred tax of RM0.5 million arising from intangible assets identified from the notional PPA performed assuming the acquisition was completed on 1 January 2020. The intangible assets identified are assumed to have useful lives ranging from five to 20 years.

(b) Financing and acquisition-related costs

Basis

Finance cost of RM1.5 million has been illustrated in the Pro Forma SOCI assuming that the borrowings for the acquisition of Basis was drawn down on 1 January 2020. The borrowings are assumed to be repayable in quarterly instalments over a five-year period and bear interest at a variable rate of 2.0% above cost of funds.

Total acquisition cost of RM0.3 million has been incurred for the acquisition of Basis, of which RM0.2 million has been included in the audited consolidated SOCI for the financial year ended 31 December 2020 and the remaining RM0.1 million in the Pro Forma adjustments within administrative expenses.

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3. PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

3.2 Pro Forma SOCI for the financial year ended 31 December 2020 (continued)

3.2.1 Adjustments in arriving at the Pro Forma SOCI (continued)

(b) Financing and acquisition-related costs (continued)

BOL

Assuming RHB Term Loan 1 for the acquisition of BOL had been drawn down on 1 January 2020, RM2.7 million of finance cost would have been incurred in the financial year ended 31 December 2020 of which RM0.5 million have been reflected in the audited consolidated SOCI for the financial year ended 31 December 2020 and RM2.2 million as part of the pro forma adjustments. The borrowings are assumed to be repayable in quarterly instalments over a five year period and bear interest at a variable rate of 2.0% above cost of funds.

Acquisition costs of RM0.6 million incurred in relation to the acquisition of BOL have been included in the audited consolidated SOCI for the financial year ended 31 December 2020.

(c) Earnings per Share

The proforma basic and diluted earnings per Share have been illustrated by dividing the pro forma profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial year ended 31 December 2020 adjusted for the subdivision of the Company's existing 100,000,000 shares in issue to 2,000,000,000 shares which was completed on 10 June 2021 as disclosed in Note 1.1.4.

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CTOS DIGITAL BERHAD
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PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4. PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

The Pro Forma SOCF for the financial year ended 31 December 2020 has been prepared for illustrative purposes only to show the effects on the audited consolidated statement of cash flows ("SOCF") of the Company for the financial year ended 31 December 2020 based on the assumption that the investments in BOL and Basis as set out in Notes 1.1.1 and 1.1.2 had been acquired on 1 January 2020, and should be read in conjunction with the notes in this section.

4.1 Basis of preparation

The Pro Forma SOCF for the financial year ended 31 December 2020 has been prepared in accordance with MFRS and IFRS, and in a manner consistent with the format of financial statements and accounting policies of the Group.

For illustrative purposes, the Pro Forma SOCF has been prepared based on the following assumptions:

(1) The acquisition of BOL and Basis as disclosed in Note 1.1 have been completed on 1 January 2020.

(2) BOL has been equity accounted for in accordance with MFRS 128 based on the results as disclosed in its published financial statements for the financial year ended 31 December 2020, after adjustments to align to the accounting policies of the Group.

(3) Basis' results have been consolidated based on its audited financial statements for the financial year ended 30 June 2020, after adjustments to align to the accounting policies of the Group.

(4) The PPA were performed for the acquisitions of BOL and Basis in accordance with MFRS 3 and the amortisation of the intangible assets identified from the PPA and corresponding deferred tax impact have been included in the Pro Forma SOCF.

(5) The finance costs arising from borrowings assumed to have been drawn down on 1 January 2020 to finance the acquisitions of BOL and Basis have been included in the Pro Forma SOCF.

The Pro Forma SOCF has been prepared for illustrative purposes only. Such information, because of its hypothetical nature, does not give a true picture of the actual results of the Group. Further, such information does not purport to predict the Group's future cash flows.

The Pro Forma SOCI and Pro Forma SOCF are to be read separately from the Pro Forma SOFP as the assumptions applied to each of the pro forma statements are different as set out in the notes below.

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CTOS DIGITAL BERHAD
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PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4. PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

4.2 Pro Forma SOCF for the financial year ended 31 December 2020

	Audited Financial year ended 31.12.2020	Adjustments (Note 4.2.1)		Pro Forma Financial year ended 31.12.2020
	RM'000	RM'000		RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	40,332	1,822	(a)	42,154
Adjustments for:				
Allowance for impairment of receivables and deposits-net	530	-		530
Depreciation of property, plant and equipment	5,474	5	(a)	5,479
Depreciation of right-of-use assets	1,739	64	(a)	1,803
Amortisation of intangible assets	266	175	(a)	441
Interest income	(244)	(26)	(a)	(270)
Bad debts written off	4	-		4
Bad debts recovered	(1)	-		(1)
Other receivables written off	-	14	(a)	14
Loss on disposal of property, plant and equipment	82	-		82
Accretion of provision for restoration costs	19	-		19
Interest expense	4,053	3,692	(b)	7,745
Lease interest	162	4	(a)	166
Fair value changes	-	607	(a)	607
Share-based payment expense	3,284	-		3,284
Share of profits of associates	(1,785)	(3,753)	(a)	(5,538)
Defined benefit plan expense	71	-		71
Unrealised (gain)/loss on foreign exchange	(3,191)	4	(a)	(3,187)
Operating cash flows before working capital changes	50,795	2,608		53,403
Changes in working capital:				
Receivables, deposits and prepayments	(1,063)	(103)	(a)	(1,166)
Payables and accruals	(855)	(255)	(a)	(1,110)
Contract liabilities	2,240	5	(a)	2,245
Related parties balances	369	-		369
Cash flows generated from operations	51,486	2,255		53,741
Interest received	244	26	(a)	270
Defined benefit plan contribution	(47)	-		(47)
Tax paid	(2,077)	(371)	(a)	(2,448)
Net cash flows generated from operating activities	49,606	1,910		51,516

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CTOS DIGITAL BERHAD
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PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4. PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

4.2 Pro Forma SOCF for the financial year ended 31 December 2020 (continued)

	Audited Financial year ended 31.12.2020 RM'000	Adjustments (Note 4.2.1) RM'000		Pro Forma Financial year ended 31.12.2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend received	130	-		130
Purchase of property, plant and equipment	(4,713)	-		(4,713)
Purchase of intangible assets	(2,182)	-		(2,182)
Proceeds from disposal of property, plant and equipment	7	-		7
Acquisition of subsidiaries, net of cash acquired	(5,372)	(29,775)	(b)	(35,147)
Investment in associate	(91,911)	-		(91,911)
Net cash flows used in investing activities	(104,041)	(29,775)		(133,816)
CASH FLOWS FROM FINANCING ACTIVITIES				
Restricted cash for term loan facility	(816)	-		(816)
Dividends paid	(10,500)	-		(10,500)
Drawdown of borrowings	193,553	32,000	(b)	225,553
Repayment of borrowings	(86,193)	(17,109)	(b)	(103,302)
Payment of lease liabilities	(1,847)	(67)	(a)	(1,914)
Transaction cost paid	(2,999)	(627)	(b)	(3,626)
Interest paid	(2,813)	(3,257)	(b)	(6,070)
Repayment of advances from immediate holding company	(14,297)	-		(14,297)
Net cash flows generated from financing activities	74,088	10,940		85,028
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	19,653	(16,925)		2,728
EFFECTS OF EXCHANGE RATE CHANGES	(206)	-		(206)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	5,489	-		5,489
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	24,936	(16,925)		8,011

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4. PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

4.2 Pro Forma SOCF for the financial year ended 31 December 2020 (continued)

4.2.1 Adjustments in arriving at the Pro Forma SOCF

(a) The adjustments to the Pro Forma SOCF relate to the accounting for the Group's share of results in BOL and consolidation of the cash flows of Basis for the financial year ended 31 December 2020.

(b) The drawdown of borrowings in the Company's audited consolidated SOCF for the financial year ended 31 December 2020 of RM193.6 million includes the RHB Term Loan 1 of RM91.9 million that was drawn down for the acquisition of BOL. The net cash outflow on acquisition of Basis of RM29.8 million has been illustrated assuming the drawdown of RHB Term Loan 3 of RM32.0 million for the acquisition of Basis net of cash acquired as at 1 January 2020. The repayment of principal of RM17.1 million and finance costs of RM3.3 million have been illustrated in the Pro Forma SOCF assuming that RHB Term Loan 1 of RM91.9 million and RHB Term Loan 3 of RM32 million for the acquisitions of BOL and Basis respectively were drawn down on 1 January 2020. The borrowings are assumed to be repayable in quarterly instalments over a five-year period and bear interest at a variable rate of 2.0% above cost of funds.

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PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 APPROVAL BY BOARD OF DIRECTORS

The Pro Forma Consolidated Financial Information have been approved for issue in accordance with a resolution of the Board of Directors of CTOS Digital Berhad, formerly known as CTOS Holdings Sdn Bhd on 1 5 JUN 2021

Signed on behalf of the Board of Directors.

TAN SRI IZZUDDIN BIN DALI
DIRECTOR

DATUK AZIZAN BIN HAJI ABDUL RAHMAN
DIRECTOR

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12.5 DIVIDEND POLICY

For information purposes, the following table sets out our Company's dividends declared for the financial years indicated and paid as of the date of this Prospectus and the corresponding dividend pay-out ratio:

	FYE 31 December		
	2018	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**
Dividends declared and paid	42,313	22,378	24,750
PATAMI	29,656	39,009	39,187
Dividend pay-out ratio(1) (%)	142.7	57.4	63.2

Note:

(1) Computed based on dividends paid divided by PATAMI.

On 20 January 2021, we declared a single-tier tax-exempt interim dividend of 5.25 sen per Share amounting to RM5.25 million in respect of the FYE 31 December 2020 which was paid on 21 January 2021. On 31 March 2021, we declared a single-tier tax-exempt interim dividend of 17.0 sen per Share amounting to RM17.0 million for the FYE 31 December 2020 for payment in two tranches, of which RM9.0 million was paid on 5 April 2021 and RM8.0 million was paid on 22 June 2021.

The foregoing dividends declared between 1 January 2021 up to the LPD do not exceed our retained profits for the FYE 31 December 2020 and have been or will be paid out of our Group's accumulated cash and bank balances (which includes dividends received from our subsidiaries and associates).

On 15 June 2021, we declared a dividend-in-specie pursuant to the Distribution to our shareholders, amounting to RM15.1 million for the FYE 31 December 2021 which was completed on even date. The dividend declared will be accounted for in equity as an appropriation of retained earnings during the FYE 31 December 2021.

These dividends are not expected to have any impact on the execution and implementation of our Group's future plans or strategies. Except as described above, up to the LPD, we have not declared any other dividend to our shareholders.

As our Company is a holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends that we receive from our subsidiaries and associates. Distributions by our subsidiaries and associates will depend upon their operating results, earnings, capital requirements, general financial condition and other relevant factors such as exchange controls.

We target a pay-out ratio of 60% of our profit attributable to the owners of our Company for each financial year on a consolidated basis after taking into account working capital, maintenance capital and committed capital requirements of our Group. The declaration and payments of any dividend is subject to the confirmation of our Board as well as any applicable law, licence conditions and contractual obligations, certain banking restrictive covenants which our Company is subject to as set out in Section 5.1.18 of this Prospectus and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board. As at the LPD, there are no dividend restrictions imposed on our subsidiaries.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend pay-outs. See Section 5.3.3 of this Prospectus for the risk factors which may affect or restrict our ability to pay dividends.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

The Board of Directors
CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.)
Unit 01-12, Level 8
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

15 June 2021

PwC/PH/KSF/MW/zu/0203B1

Dear Sirs,

Reporting Accountants' Opinion on the Consolidated Financial Statements contained in the Accountants' Report of CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.)

Our Opinion

We have audited the accompanying consolidated financial statements of CTOS Digital Berhad (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, and a summary of significant accounting policies and other explanatory notes (together, the "Consolidated Financial Statements"), as set out on pages 1 to 114. The Consolidated Financial Statements has been prepared for inclusion in the Prospectus of the Company in connection with the initial public offering of the ordinary shares in the Company ("IPO") and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad (the "Listing").

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020 and of its financial performance and cash flows for each of the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards and in accordance with Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the paragraph below under the header 'Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements'. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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The Board of Directors
CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.)
PwC/PH/KSF/MW/zu/0203B1
15 June 2021

Reporting Accountants' Opinion on the Consolidated Financial Statements contained in the Accountants' Report of CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.) (continued)

Independence and Other Ethical Responsibilities

We are independent of the Group in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Directors' Responsibilities for the Consolidated Financial Statements

The Directors of the Company (the "Directors") are responsible for the preparation of the consolidated financial statements for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 that give a true and fair view in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards and in accordance with Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the Consolidated Financial Statements that is free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements of the Company, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

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The Board of Directors
CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.)
PwC/PH/KSF/MW/zu/0203B1
15 June 2021

Reporting Accountants' Opinion on the Consolidated Financial Statements contained in the Accountants' Report of CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.) (continued)

Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our opinion to the related disclosures in the Consolidated Financial Statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our opinion. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements of the Company, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements of the Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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The Board of Directors
CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.)
PwC/PH/KSF/MW/zu/0203B1
15 June 2021

Reporting Accountants' Opinion on the Consolidated Financial Statements contained in the Accountants' Report of CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.) (continued)

Restriction on Distribution and Use

This opinion is issued for the sole purpose of inclusion in the Prospectus of the Company in connection with the IPO and Listing and should not be relied on for any other purposes. Accordingly, we will not accept any liability or responsibility to any other party to whom our opinion is shown or into whose hands it may come.

Yours faithfully,

PRICEWATERHOUSECOOPERS PLT	PAULINE HO
LLP0014401-LCA & AF 1146	02684/11/2021 J
Chartered Accountants	Chartered Accountant

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

1 CONSOLIDATED FINANCIAL STATEMENTS

1.1 GENERAL INFORMATION

CTOS Digital Berhad, formerly known as CTOS Holdings Sdn. Bhd. ("Company") was incorporated as a private company limited by shares in Malaysia on 17 July 2014. The Company changed its name to CTOS Digital Sdn. Bhd. on 6 October 2020. On 26 March 2021, the Company was converted to a public limited company and assumed the name of CTOS Digital Berhad.

This Accountants' Report comprises the consolidated financial statements of CTOS Digital Berhad and its subsidiaries, collectively known as "the Group" which includes the consolidated statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, and a summary of significant accounting policies and other explanatory notes.

The principal activities of the Group are credit reporting agency, digital software related services including software development, outsourcing and provision of training services. There have been no significant changes in the nature of these activities during the financial years reported in the Accountants' Report.

The Directors regard Inodes Limited ("Inodes"), incorporated in British Virgin Islands as the immediate holding company and Creador II, LLC, incorporated in Mauritius as the ultimate holding company.

The address of the registered office and principal place of business of the Group are as follows:

Registered office

Unit 30-1, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur

Principal place of business

Unit 1-12, Level 8, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur

CTOS DIGITAL BERHAD
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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Financial years ended		
	Note	31.12.2018	31.12.2019	31.12.2020
		RM'000	RM'000	RM'000
Revenue	2.4	110,465	129,141	140,496
Cost of sales		(17,526)	(21,599)	(19,056)
Gross profit		92,939	107,542	121,440
Other income		183	57	174
Selling and marketing expenses		(25,522)	(27,780)	(33,902)
Administrative expenses		(35,687)	(38,123)	(44,931)
Finance costs	2.5	(122)	(1,211)	(4,234)
Share of profits of associates	2.14	-	761	1,785
Profit before tax	2.6	31,791	41,246	40,332
Tax expense	2.9	(2,135)	(2,237)	(2,355)
Profit for the financial year		29,656	39,009	37,977
Other comprehensive (loss)/income:				
Items that will be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations		-	-	(231)
Share of other comprehensive income of associate accounted for using equity method		-	-	86
Items that will not be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations		-	-	(120)
Share of other comprehensive income of associate accounted for using equity method		-	-	243
Remeasurement of provision for defined benefit plan, net of tax		-	-	(280)
Other comprehensive loss for the financial year		-	-	(302)
Total comprehensive income for the financial year		29,656	39,009	37,675

PRICEWATERHOUSECOOPERS PLT
KUALA LUMPUR
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Chartered Accountants

CTOS DIGITAL BERHAD
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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Financial years ended 31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
Profit/(loss) for the financial year attributable to:				
Owners of the Company		29,656	39,009	39,187
Non-controlling interests		-	-	(1,210)
		29,656	39,009	37,977
Total comprehensive income/(loss) for the financial year attributable to:				
Owners of the Company		29,656	39,009	39,142
Non-controlling interests		-	-	(1,467)
		29,656	39,009	37,675
Earnings per share for profit attributable to ordinary equity holders of the Company:				
- Basic (sen)	2.33(a)	1.5	2.0	2.0
- Diluted (sen)	2.33(b)	1.5	1.9	2.0

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31.12.2018	31.12.2019	As at 31.12.2020
		RM'000	RM'000	RM'000
NON-CURRENT ASSETS				
Property, plant and equipment	2.10	17,518	16,870	16,911
Right-of-use assets	2.11	-	2,784	2,071
Intangible assets	2.12	37,927	37,906	49,572
Investment in associates	2.14	-	56,941	150,835
Receivables, deposits and prepayments	2.16	-	-	905
Deferred tax assets	2.15	47	123	1,080
TOTAL NON-CURRENT ASSETS		55,492	114,624	221,374
CURRENT ASSETS				
Receivables, deposits and prepayments	2.16	17,918	21,449	28,223
Contract assets	2.4	12	-	-
Amount due from related parties	2.17	2	1	3
Tax recoverable		4,975	7	13
Cash and bank balances	2.18	10,216	6,108	26,371
TOTAL CURRENT ASSETS		33,123	27,565	54,610
CURRENT LIABILITIES				
Payables and accruals	2.19	13,683	13,628	17,120
Contract liabilities	2.4	2,684	4,195	6,681
Lease liabilities	2.11	-	1,532	1,876
Provision for restoration costs	2.22	-	-	603
Amount due to immediate holding company	2.20	-	14,297	-
Amount due to a related party	2.17	-	-	371
Borrowings	2.21	5,857	18,192	132,320
Taxation		191	28	489
TOTAL CURRENT LIABILITIES		22,415	51,872	159,460
NET CURRENT ASSETS/(LIABILITIES)		10,708	(24,307)	(104,850)

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

				As at
	Note	31.12.2018	31.12.2019	31.12.2020
		RM'000	RM'000	RM'000
NON-CURRENT LIABILITIES				
Lease liabilities	2.11	-	1,349	375
Provision for defined benefit plan	2.25	-	-	421
Provision for restoration costs	2.22	465	584	-
Deferred tax liabilities	2.15	23	-	-
Borrowings	2.21	5,678	9,436	-
TOTAL NON-CURRENT LIABILITIES		6,166	11,369	796
NET ASSETS		60,034	78,948	115,728
EQUITY				
Share capital	2.23	197,994	197,994	197,994
Reverse acquisition reserve		(193,528)	(193,528)	(193,528)
Equity contribution from shareholder		315	315	315
Other reserves	2.24	976	2,626	(45)
Retained earnings		54,277	71,541	106,025
Equity attributable to the owners of the Company		60,034	78,948	110,761
Non-controlling interests		-	-	4,967
TOTAL EQUITY		60,034	78,948	115,728

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Ordinary shares						
		Number of shares	Share capital	Equity contribution from shareholders	Reverse acquisition reserve[1]	Other reserves	Retained earnings	Total equity
		'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
As at 1 January 2018		100,000	197,994	315	(193,528)	256	60,365	65,402
Effects of adoption of MFRS 9 'Financial Instruments'	2.35	-	-	-	-	-	(777)	(777)
As at 1 January 2018 (restated)		100,000	197,994	315	(193,528)	256	59,588	64,625
Profit and total comprehensive income for the financial year		-	-	-	-	-	29,656	29,656
Transaction with owners: Dividends paid	2.29	-	-	-	-	-	(34,967)	(34,967)
Share-based payment expense for the financial year		-	-	-	-	720	-	720
As at 31 December 2018		100,000	197,994	315	(193,528)	976	54,277	60,034

Notes:
[1] The reverse acquisition reserve was created during the acquisition of CTOS Business Systems Sdn. Bhd. ("CBS"), CTOS Data Systems Sdn. Bhd. ("CDS") and Automated Mail Responder Sdn. Bhd. ("AMR") by the Company in 2014. CBS was identified as the accounting acquirer in accordance with MFRS 3 "Business Combination". The difference between the issued equity of the Company and issued equity of CBS together with the deemed purchase consideration of subsidiaries other than CBS is recorded as reverse acquisition reserve.

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Ordinary shares Number of shares '000	Ordinary shares Share capital RM'000	Equity contribution from shareholders RM'000	Reverse acquisition reserve[(1)] RM'000	Other reserves RM'000	Retained earnings RM'000	Total equity RM'000
Group								
As at 1 January 2019		100,000	197,994	315	(193,528)	976	54,277	60,034
Effects of adoption of MFRS 16 'Leases'	2.35	-	-	-	-	-	(21)	(21)
As at 1 January 2019 (restated)		100,000	197,994	315	(193,528)	976	54,256	60,013
Profit and total comprehensive income for the financial year		-	-	-	-	-	39,009	39,009
Transaction with owners: Dividends paid	2.29	-	-	-	-	-	(21,724)	(21,724)
Share-based payment expense for the financial year		-	-	-	-	1,650	-	1,650
As at 31 December 2019		100,000	197,994	315	(193,528)	2,626	71,541	78,948

Notes:
(1) The reverse acquisition reserve was created during the acquisition of CBS, CDS and 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.

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Ordinary shares				Other reserves						
	Number of shares	Share capital	Equity contribution from shareholders	Reverse acquisition reserve[1]	Foreign currency translation reserve	Retirement benefit reserve & fair value reserve	Share-based payment reserve	Retained earnings	Total attributable to owners of the Company	Non-controlling interest	Total equity
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group											
As at 1 January 2020	100,000	197,994	315	(193,528)	-	-	2,626	71,541	78,948	-	78,948
Profit/ (loss) for the financial year	-	-	-	-	-	-	-	39,187	39,187	(1,210)	37,977
Other comprehensive (loss)/ income	-	-	-	-	(145)	100	-	-	(45)	(257)	(302)
Transaction with owners:											
Dividends paid (Note 2.29)	-	-	-	-	-	-	-	(10,500)	(10,500)	-	(10,500)
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	6,434	6,434
Share-based payment expense for the financial year	-	-	-	-	-	-	3,284	-	3,284	-	3,284
Settlement of ESOS with option holders	-	-	-	-	-	-	(113)	-	(113)	-	(113)
Reclassification of ESOS reserve to retained earnings	-	-	-	-	-	-	(5,797)	5,797	-	-	-
As at 31 December 2020	100,000	197,994	315	(193,528)	(145)	100	-	106,025	110,761	4,967	115,728

Notes:
[1] The reverse acquisition reserve was created during the acquisition of CBS, CDS and AMR by the Company in 2014. CBS was identified as the accounting acquirer in accordance with MFRS 3 "Business Combination". The difference between the Issued equity of the Company and issued equity of CBS together with the deemed purchase consideration of subsidiaries other than CBS is recorded as reverse acquisition reserve.

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.5 CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	31.12.2018	31.12.2019	31.12.2020
		Financial years ended		
		RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		31,791	41,246	40,332
Adjustments for:				
Allowance for impairment of receivables and deposits-net	2.27(c)	75	277	530
Depreciation of property, plant and equipment	2.10	3,283	4,781	5,474
Depreciation of right-of-use assets	2.11	-	1,519	1,739
Amortisation of intangible assets	2.12	80	21	266
Interest income		(195)	(241)	(244)
Bad debts written off		-	2	4
Bad debts recovered		(6)	-	(1)
Loss on disposal of property, plant and equipment		1	189	82
Accretion of provision for restoration costs	2.5	19	18	19
Interest expense	2.5	103	973	4,053
Lease interest	2.5	-	220	162
Reversal of provision for restoration costs		(109)	-	-
Share-based payment expense		720	1,650	3,284
Share of profits of associates		-	(761)	(1,785)
Defined benefit plan expense		-	-	71
Unrealised loss/(gain) on foreign exchange		7	-	(3,191)
Operating cash flows before working capital changes		35,769	49,894	50,795

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.5 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Financial years ended 31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
Changes in working capital:				
Receivables, deposits and prepayments		(1,491)	(3,848)	(1,063)
Contract assets		(12)	12	-
Payables and accruals		2,577	(1,510)	(855)
Contract liabilities		2,684	1,511	2,240
Related parties balances		-	(1)	369
Cash flows generated from operations		39,527	46,058	51,486
Interest received		195	241	244
Tax paid		(2,683)	(2,505)	(2,077)
Tax refunded		456	4,974	-
Defined benefit plan contribution	2.25	-	-	(47)
Net cash flows generated from operating activities		37,495	48,768	49,606
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(10,142)	(2,779)	(4,713)
Purchase of intangible assets		-	-	(2,182)
Proceeds from disposal of property, plant and equipment		1	13	7
Dividend received		-	-	130
Acquisition of subsidiary, net of cash acquired	2.36	-	-	(5,372)
Investment in associate	2.14	-	(56,180)	(91,911)
Net cash flows used in investing activities		(10,141)	(58,946)	(104,041)

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.5 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Financial years ended 31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Restricted cash for term loan facility	2.18	-	(619)	(816)
Dividends paid	2.29	(34,967)	(21,724)	(10,500)
Drawdown of borrowings	2.21	11,700	32,000	193,553
Repayment of borrowings	2.21	-	(16,182)	(86,193)
Payment of lease liabilities	2.11	-	(1,663)	(1,847)
Transaction cost paid	2.21	(266)	-	(2,999)
Interest paid	2.21	(37)	(658)	(2,813)
Advances from immediate holding company		-	56,297	-
Repayment of advances from immediate holding company		-	(42,000)	(14,297)
Net cash flows (used in)/generated from financing activities		(23,570)	5,451	74,088
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,784	(4,727)	19,653
EFFECT OF EXCHANGE RATE CHANGES		-	-	(206)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		6,432	10,216	5,489
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	2.18	10,216	5,489	24,936

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION

The financial statements of the Group for the financial year ended 31 December 2018, 31 December 2019 and 31 December 2020 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards and in accordance with Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia for purpose of inclusion in the Prospectus of the Company in connection with the initial public offering of the ordinary shares in the Company and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad. The financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3.

(a) Standards, amendments to published standards and Issues Committee ("IC") Interpretations that are effective to the Group

The standards, amendments and improvements to published standards and IC interpretations that are effective for the Group are as follows:

Financial year beginning on or after 1 January 2020

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of Business'
- Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

The adoption of the amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Financial year beginning on or after 1 January 2019

- MFRS 16 'Leases'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle

The Group has adopted MFRS 16 'Leases' ("MFRS 16") for the first time in the 2019 financial statements, which resulted in changes in accounting policies. The detailed impact of the changes in the accounting policies are set out in Note 2.35.

The details of the accounting policies on leases are disclosed separately in Note 2.2(n).

The adoption of the amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and Issues Committee ("IC") Interpretations that are effective to the Group (continued):

Financial year beginning on or after 1 January 2018

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

The Group has adopted MFRS 9 'Financial Instruments' ("MFRS 9") and MFRS 15 'Revenue from Contracts with Customers' ("MFRS 15") for the first time in the 2018 financial statements, which resulted in changes in accounting policies. The detailed impact of the changes in the accounting policies are set out in Note 2.35.

The details of the accounting policies on financial instruments and revenue from contracts with customers are disclosed separately in Note 2.2(e) and Note 2.2(o).

The adoption of the IC Interpretation did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) Standards, amendments to published standards and IC Interpretations that are applicable to the Group but not yet effective

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning on or after 1 January 2021. None of these is expected to have a significant effect on the financial statements of the Group except the following:

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions' (effective 1 June 2020) grant an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the financial year(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

  The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

  (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
  (c) there is no substantive change to other terms and conditions of the lease.

  The amendments shall be applied retrospectively.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and IC Interpretations that are applicable to the Group but not yet effective (continued)

- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

  An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

  The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

  The amendments shall be applied prospectively.

- Amendments to MFRS 137 'Onerous contracts — cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

  The assessment of whether an entity has the right to defer settlement of a liability at reporting date is not affected by expectations of the entity or events after the reporting date. In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option that is not an equity instrument as defined in MFRS 132 'Financial Instruments: Presentation' is considered in the current or non-current classification of the convertible instrument.

  The amendments shall be applied retrospectively.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and IC Interpretations that are applicable to the Group but not yet effective (continued)

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021' (effective 1 April 2021) ("2021 amendment") extends the applicable period of the practical expedient by one year to cover rent concessions that reduce lease payments originally due on or before 30 June 2022.

  The 2021 amendment requires lessees that had applied the practical expedient (pursuant to the 2020 amendment) to account for COVID-19-related rent concessions continue to apply the new 2021 amendment when it is effective. Similarly, lessees that had not applied the 2020 optional practical expedient are not allowed to apply the 2021 amendment. The 2021 practical expedient is also available for lessees that have not established an accounting policy on applying (or not applying) the practical expedient to eligible rent concessions.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 101 'Disclosure of accounting policies' (effective 1 January 2023) require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications.

  The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

- Amendments to MFRS 108 'Definition of accounting estimates' (effective 1 January 2023) clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors. Examples of accounting estimates include:

  (a) a loss allowance for expected credit losses, applying MFRS 9 'Financial Instruments';
  (b) the net realisable value of an item of inventory, applying MFRS 102 'Inventories';
  (c) the fair value of an asset or liability, applying MFRS 13 'Fair Value Measurement';
  (d) the depreciation expense for an item of property, plant and equipment, applying MFRS 116 'Property, Plant and Equipment'; and
  (e) a provision for warranty obligations, applying MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets'.

  The amendments shall be applied prospectively.

  The amendments above are not expected to have a material impact to the Group other than the amendments to MFRS 101 where the impact is not known and is still being assessed by the Group.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss. See accounting policy Note 2.2(d)(i) on goodwill.

Acquisition-related costs are expensed as incurred.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in the profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iv) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of profit/(loss) of an associate' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in profit or loss.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies (continued)

(iii) Group companies

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

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

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

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

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

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

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

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

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

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets

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

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

(i) Goodwill

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

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

(ii) Database and customer relationship

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (continued)

(iii) Brand names and trademarks

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

(iv) License fee

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

(v) Computer software

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

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

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

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

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments

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

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

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

Financial assets

(i) Classification

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Financial assets (continued)

(iii) Measurement (continued)

Debt instruments

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

(iv) Subsequent measurement - Impairment

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

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

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

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

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

The measurement of ECL reflects:

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Financial assets (continued)

(iv) Subsequent measurement - Impairment (continued)

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

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

(b) Simplified approach for trade receivables and contract assets

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

Significant increase in credit risk

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

The following indicators are incorporated:

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Financial assets (continued)

(iv) Subsequent measurement - Impairment (continued)

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

Definition of default and credit-impaired financial assets

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

Quantitative criteria:

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

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

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

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

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

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

(ii) Individual assessment

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Financial assets (continued)

(iv) Subsequent measurement - Impairment (continued)

Write-off

(i) Trade receivables and contract assets

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

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

(ii) Other receivables and amount due from related parties

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

Financial liabilities

(i) Classification and measurement

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

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Financial liabilities (continued)

(i) Classification and measurement (continued)

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

(ii) Recognition of financial liabilities

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

(iii) Derecognition of financial liabilities

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

(iv) Offsetting of financial assets and financial liabilities

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

(f) Impairment of non-financial assets

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Fair value estimation

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

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

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

(h) Trade and other receivables

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

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

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

(i) Cash and cash equivalents

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

(j) Payables

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Current and deferred income tax

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

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

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

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled taking into consideration of the expiry date of tax incentive, based on the tax rates and tax laws substantially enacted at the balance sheet date.

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

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

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provision for restoration costs

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

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

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

(m) Employee benefits

(i) Short term employee benefits

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

(ii) Post-employment pension benefits

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

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

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

Defined contribution plans

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

(ii) Post-employment pension benefits (continued)

Defined benefit plans

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

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

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

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

(iii) Share-based payments

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

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

Non-market vesting conditions and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share option reserve in equity.

In circumstances where employees provide services in advance of the grant date, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

(iii) Share-based payments (continued)

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

Any payment made to employees on the cancellation or settlement of the grant is accounted for as the repurchase of an equity interest, i.e. as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess is recognised as an expense. However, if the share-based payment arrangement included liability components, the Group remeasures the fair value of the liability at the date of cancellation or settlement. Any payment made to settle the liability component is accounted for as an extinguishment of the liability.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(n) Leases

Group as lessee

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

(i) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (periods after termination options) are only included in the term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities (refer to (iv) below).

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases (continued)

Group as lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets are subsequently measured at cost, less any accumulated depreciation and impairment loss, if any. The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group are reasonably certain to exercise a purchase option, ROU asset is depreciated over asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

ROU assets are presented as a separate line item in the statement of financial position.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases (continued)

Group as lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

(iii) Lease liabilities (continued)

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of comprehensive income.

(iv) Reassessment of lease liabilities

After the commencement date, a lessee shall remeasure the lease liability to reflect changes to the lease payments by using a revised discount rate if either:

i) a change in lease term due to the lessee exercises an option (purchase/termination/extension) in a different way than the Group has previously determined was reasonably certain; or
ii) a change in lease term due to an event occurs that contractually obliged/prohibits the lessee from exercise the option.

In contrast, a lessee shall use an unchanged discount rate to remeasure lease liability to reflect changes to lease payments if either:

i) a change in the amounts expected to be payable under a residual value guarantee; or
ii) a change in future lease payments resulting from a change in an index or rate used to determine those payments.

A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment to the ROU. However, if the carrying amount of the ROU is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

(v) Short-term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office equipment. Payments associated with short-term leases of equipment and vehicles and all leases of low value assets are recognised on a straight-line basis as an expense in profit or loss.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases (continued)

Group as lessee (continued)

Accounting policies applied until 31 December 2018

Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight-line basis over the lease period.

(o) Revenue recognition

Revenue from contracts with customers

(i) Provision of services

The Group's revenue arises from a range of products including subscription fees for access to the Group's online credit risk management platform, sale of reports, trade referencing and monitoring services, eKYC services, credit application and decisioning ("CAD") services, fraud bureau services and portfolio reviews.

The Group recognises revenue when it satisfies a performance obligation by transferring control of a promised product or service to a customer. The Group determines whether goods or services are distinct, and therefore separate performance obligations, when there are multiple promises in a contract. At the inception of the contract, the Group determines the consideration or transaction price that it expects to be entitled in exchange for transferring promised goods or services to the customer, which may include fixed consideration and variable consideration. Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The total consideration is allocated to the performance obligations identified based on their standalone selling price, and is recognised when those performance obligations are satisfied and the control of goods or services is transferred to the customer, either over time or at a point in time.

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2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue recognition (continued)

Revenue from contracts with customers (continued)

(i) Provision of services (continued)

Credit reporting services

Revenue from the subscription of the Group's online credit risk management platform are from fixed subscription fees. The Group recognises revenue from the fixed subscription fees on a straight-line basis over the subscription period. The subscription can be renewed monthly or annually.

Revenue from the sales of reports (CTOS Digital reports and external reports) are recognised when control of the reports are transferred to the customers.

Revenue from trade referencing and monitoring services are from fixed monthly subscription fees, which are recognised over the period in which the services are performed.

Revenue from fraud bureau services are from fixed subscription fees, which are recognised at a point in time when the results are transferred to the customers.

Revenue from the comprehensive portfolio reviews are recognised when control of the review results or deliverables are transferred to the customers.

The eKYC services that are provided in a bundled contract comprise multiple promises which may include the sale of software licenses, setup and installation services at the customer's premises, document verification, facial recognition, bureau file verification, knowledge-based authentication services (collectively "verification services") and maintenance and technical services. The Group accounts for each service in the bundled contract as separate performance obligations as the services are not inputs to a combined item that the customer has contracted to receive. The Group can fulfil its promise to transfer each of the goods or services separately and does not provide any significant integration, modification, or customisation services. For each of the verification services, revenue is recognised at the point in time when the verification services are completed and the results are shared with the customer. Bundled contracts usually comprise fixed and variable considerations. The transaction fees for the verification services are variable depending on the volume of transactions. Accumulated experience is used to estimate the volume of the verification services using the expected value method. The transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on the expected cost-plus margin.

For eKYC contracts which only comprise sales of verification services, revenue is recognised when the verification services are completed and the results are shared with the customers.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue recognition (continued)

Revenue from contracts with customers (continued)

(i) Provision of services (continued)

Credit reporting services (continued)

For CAD contracts that consist of multiple promises such as credit decisioning results and access to the Group's hosted loan management systems, the Group determines that each promise is distinct and are therefore separate performance obligations. These contracts usually comprise fixed and variable considerations. The transaction fees for the credit decisioning results are variable depending on the volume of transaction. Accumulated experience is used to estimate the volume of the verification services using the expected value method. The transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on the expected cost-plus margin. The Group recognises revenue from access to the hosted loan management system over the service period, while revenue from credit decisioning results are recognised at the point in time when the results are shared with the customers.

For CAD contracts which only comprise credit decisioning results, revenue is recognised when the credit decisioning results are completed and shared with the customers.

Sale of software licenses

The Group recognises revenue from the sale of software license at the point in time when control of the software license has been transferred to the customer.

When another party is involved in providing the software licenses to the customer, the Group is a principal as it controls the software licenses before they are transferred to the customers. As the principal, the Group recognises as revenue on the gross consideration allocated to the software licenses with the corresponding direct costs of satisfying the contract.

Installation and maintenance services

The Group recognises revenue from installation services over time as and when the installation progresses. Revenue in respect of maintenance and technical services are recognised over the period the maintenance and technical services are performed.

(ii) Contract assets

Contract assets are the right to consideration in exchange for goods or services that the Group has transferred to a customer when the right is conditioned on something other than the passage of time. A contract asset is different from trade receivable.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue recognition (continued)

Revenue from contracts with customers (continued)

(iii) Contract liabilities

Contract liability is the unsatisfied obligation by the Group to transfer goods or services to customer for which the Group has received the consideration in advance or has billed the customer.

Revenue from other sources

(i) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

(ii) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

(p) Incremental costs incurred to obtain or fulfil a contract

The Group has elected the practical expedient by recognising the costs incurred to obtain a contract as an expense where the costs incurred to obtain a contract are in respect of contracts with amortisation period of less than one year.

(q) Share capital

(i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holder of a financial instrument classified as an equity instrument are charged directly to equity.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

(iii) Dividends to shareholders of the Group

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. Distributions to holders of an equity instrument is recognised directly in equity.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. These borrowings are subsequently carried at amortised costs. Any difference between the initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets. Other borrowing costs are recognised as an expense in the statement of profit or loss when incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss within finance costs.

Interest expense, redeemable preference shares dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the statement of profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares, and

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Group's Chief Executive Officer, Chief Executive Officer of the respective countries, Chief Operating Officer and Chief Financial Officer of the Company.

(u) Administrative expenses

The nature of expenses classified within administrative expenses are those which are not directly attributable to revenue generating activities of the Group but are part of the Group's overall operating activities. The expenses classified within administrative expenses includes staff cost other than staff cost for sales and marketing employees, depreciation expenses of property, plant and equipment and ROU assets, IT support expenses, professional fees and foreign exchange gain or loss amongst others.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact on the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Intangible assets - Goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy or more frequently if events or change in circumstances indicate that this is necessary within the financial year. Recoverable amount is measured at the higher of the fair value less costs to sell and value in use. These calculations require the use of estimates. The calculations are inherently judgemental and susceptible to change from period to period because they require the Group to make assumptions about revenue growth, an appropriate discount rate and terminal growth rate.

No impairment charge was recognised as the recoverable amount exceeded its carrying amount. The assumptions used and sensitivities of the impairment assessment of goodwill are disclosed in Note 2.12.

(b) Allowance for impairment of receivables

The Group applies the MFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are determined based on 3-years historical ageing profile and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Such allowance is adjusted periodically to reflect the actual and anticipated impairment.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) ESOS

For the financial year ended 31 December 2018 and 2019

The Group introduced an equity-settled share-based compensation plan under which the entity receives services from employees as consideration for equity instruments of the Group. The Group measures the equity-settled share-based payments by reference to the fair value of the equity instruments at the date which they are granted and revise the estimated number of shares that are expected to vest at the end of the reporting period. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model (i.e. Black-Scholes simulation model). Significant judgment is required in determining the vesting period which is based on the trigger event. The estimate requires determining the most appropriate inputs to the valuation model including the vesting period of the share scheme, volatility and dividend yield and making assumptions about them, as disclosed in Note 2.32.

(d) Revenue from customer contracts

Identification of performance obligations ("PO")

For the various models of the eKYC contracts and certain types of CAD contracts, they are considered to be bundled solutions that consist of multiple products and services promised to the customers. The Group accounts for individual products and services separately as separate performance obligations if they are distinct promised products and services, i.e. if a product or service is separately identifiable from other items in the bundled solution and if a customer can benefit from it separately. The Group exercises judgements in determining whether the products and services are considered distinct and are separate performance obligations for the eKYC and CAD revenue contracts. This determination will affect the allocation of consideration in the contract and revenue recognised for each performance obligation.

The Group recognises the revenue at a point in time or over time depending on when the control over the provision of services are transferred to the customers. The Group also exercises judgement on the timing when the control is transferred to determine the timing of recognition.

Determining stand-alone selling price ("SSP")

The Group has exercised judgement in estimating the SSP of each PO in the eKYC and CAD revenue contracts, given that SSPs for products and services are not directly observable in the market. The Group has used a cost plus margin approach, by incorporating the expected cost of satisfying a PO and an appropriate margin for the particular product or service.

Determining transaction price

The Group has determined the volume of transactions that are highly probable for each revenue contract as the basis to estimate the variable volume and consideration in determining the variable consideration it will be entitled to from respective contracts. The estimates of variable consideration should be updated at the end of each reporting period and any changes are accounted for as a change in estimates (adjustments to revenue) in the period in which the transaction price changes.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 REVENUE

	Note	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
		Financial years ended		
Provision of services	(a)			
- sale of reports		43,451	51,009	49,813
- monitoring and trade referencing services		60,338	69,373	74,696
- other services		6,676	7,499	14,724
- sale of software licenses		-	880	927
- installation and maintenance services		-	380	336
		110,465	129,141	140,496

(a) Revenue from contracts with customers:

	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
	Financial years ended		
Timing of revenue recognition:			
- at a point in time	46,595	56,431	62,268
- over time	63,870	72,710	78,228
Revenue from contracts with customers	110,465	129,141	140,496

The Group serves four distinct types of customers, namely Key Accounts, Commercial, Direct-to-Consumer and International Business-to-Business ("B2B"). Key Accounts customers comprise the Group's highest revenue-generating customers as well as other selected customers, such as those with complex requirements or well-recognised brands. Commercial customers comprise the Group's Malaysian segment commercial customers other than Key Accounts customers. Direct-to-Consumer comprise the Group's retail consumers. International B2B comprise the Group's International segment customers.

The disaggregation of revenue by types of customers are as follows:

	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
	Financial years ended		
Type of customers			
Key Accounts	41,440	49,321	47,335
Commercial	64,391	74,449	79,600
Direct-to-Consumer	4,634	5,371	6,290
International B2B	-	-	7,271
Total	110,465	129,141	140,496

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 REVENUE (CONTINUED)

(b) Contract assets and liabilities related to contracts with customers

The Group has recognised the following contract assets and liabilities related to contracts with customers:

	Note	31.12.2018	31.12.2019	31.12.2020
				As at
		RM'000	RM'000	RM'000
Contract assets	(i)	12	-	-
Contract liabilities	(i), (iii)	2,684	4,195	6,681

(i) Significant changes in contract assets and liabilities

	Note	31.12.2018	31.12.2019	31.12.2020
				As at
		RM'000	RM'000	RM'000
Contract assets				
Balance at the beginning of the year		12	12	-
Transfer to receivables		(12)	(12)	-
Additions due to revenue recognised during the year		12	-	-
Balance at the end of the year		12	-	-
Contract liabilities				
Balance at the beginning of the year		276	2,684	4,195
Acquisition of a subsidiary	2.36	-	-	249
Revenue recognised that was included in the contract liability balance at the beginning of the year		(276)	(2,684)	(4,359)
Increases due to cash received, excluding amounts recognised as revenue during the year		2,684	4,195	6,597
Foreign currency translation difference		-	-	(1)
Balance at the end of the year		2,684	4,195	6,681

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 REVENUE (CONTINUED)

(b) Contract assets and liabilities related to contracts with customers (continued)

(ii) Asset recognised from costs to obtain or fulfil a contract

The Group has elected the practical expedient to recognise contract cost incurred related to contracts with an amortisation period of less than one year as an expense when incurred.

(iii) Unsatisfied performance obligations

In the previous financial years, the Group applied the practical expedient in MFRS 15 and did not disclose information about recognising performance obligations that have original expected duration of one year or less.

As of 31 December 2020, the aggregate amount of the transaction price allocated to the remaining performance obligations for eKYC and CAD contracts amounts to RM7.1 million and the Group will recognise this revenue as and when the services are performed, which is expected to occur over the next 12 - 36 months.

The Group expects that the transaction price of RM2.5 million allocated to unsatisfied performance obligations as of 31 December 2020 will be recognised as revenue within the next 12 months. The remaining allocated transaction price of RM4.6 million will be recognised over the next 24 - 36 months.

The Group applied the practical expedient in MFRS 15 for all other contracts with periods of one year or less and the unsatisfied performance obligations for these contracts are not disclosed.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 FINANCE COSTS

	Note	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
		Financial years ended		
Interest expense on:				
- bank borrowings	2.21	96	933	4,024
- lease liabilities	2.11	-	220	162
Accretion of provision for restoration costs	2.22	19	18	19
Others		7	40	29
		122	1,211	4,234

2.6 PROFIT BEFORE TAX

The following items have been charged/(credited) in arriving at the profit before tax:

	Note	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
		Financial years ended		
Allowance for impairment of receivables - net	2.27(c)	75	277	530
Auditors' remuneration				
- fees for statutory audit to PricewaterhouseCoopers PLT		156	141	286
- fees for statutory audit to other auditors		-	-	78
Depreciation of property, plant and equipment	2.10	3,283	4,781	5,474
Depreciation of right-of-use assets	2.11	-	1,519	1,739
Search charges and data fees		17,314	19,989	16,682
Advertising, promotion and sales commission expenses		8,880	10,335	10,473
IT support expenses		3,085	4,281	5,517
Legal and professional fees		3,131	855	1,782
Rental of buildings		1,668	265	528
Unrealised loss/(gain) on foreign exchange		7	-	(3,191)
Bad debts written off		-	2	4
Bad debts recovered		(6)	-	(1)
Staff cost (including Directors' remuneration)	2.8	35,278	37,478	47,493
Loss on disposal of property, plant and equipment		1	189	82
Amortisation of intangible assets	2.12	80	21	266
Interest income		(195)	(241)	(244)
Reversal of provision for restoration costs	2.22	(109)	-	-

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.7 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial years are as follows:

Loh Kok Leong
Wong Pau Min (resigned on 15 February 2021. Appointed as alternate director to Loh Kok Leong on 15 February 2021)
Tan Sri Izzuddin bin Dali
Datuk Azizan bin Haji Abdul Rahman
Dato' Noorazman bin Abd Aziz (appointed on 24 February 2020)
Lynette Yeow Su-Yin (appointed on 1 October 2020)
Dennis Colin Martin (appointed on 1 November 2020)
Dato Badri bin Haji Masri (resigned on 30 September 2020)
Chung Tze Keong (resigned on 1 November 2020)
Chung Tze Wen (resigned on 1 November 2020)

The aggregate amount of emoluments received/receivable by the Directors of the Company during the financial year are as follows:

	Financial years ended		
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Fees	366	376	444
Wages, salaries and bonuses	-	-	197
	366	376	641

There was no benefit-in-kind provided to Directors of the Company during the financial year.

2.8 STAFF COST (INCLUDING DIRECTORS' REMUNERATION)

	Financial years ended		
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Fees	366	376	689
Wages, salaries and bonuses	30,100	30,964	38,478
Defined contribution plan	4,092	4,488	4,971
Defined benefit plan	-	-	71
Share-based payment expense	720	1,650	3,284
	35,278	37,478	47,493

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.9 TAX EXPENSE

	Note	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
		Financial years ended		
Current tax:				
- current year		2,489	2,444	2,495
- over accrual in prior years		(64)	(108)	(27)
		2,425	2,336	2,468
Deferred tax:				
- origination and reversal of temporary differences		(291)	(99)	(113)
- reversal and recognition of prior years temporary differences		1	-	-
	2.15	(290)	(99)	(113)
Tax expense		2,135	2,237	2,355

The Company's subsidiary, CTOS Data Systems Sdn. Bhd. is entitled to pioneer status incentives under the Promotion of Investments Act ("PIA") 1986 for MSC Malaysia Qualifying Activities. As a result, certain CTOS Data Systems Sdn. Bhd. profits are exempted from tax for a period of 10 years, beginning on 9 November 2016. However, based on the provisions of the PIA 1986, the incentive's effective period is only for the first 5 years. CTOS Data Systems Sdn. Bhd. can enjoy an extension of a second 5-year incentive period by applying to the Malaysia Digital Economy Corporation ("MDEC").

The tax relief period under CTOS Data Systems Sdn. Bhd.'s MSC Pioneer Certificate is from 9 November 2016 to 8 November 2021. However, pursuant to the Grandfathering and Transitional Guidelines Issued by MDEC which became effective on 1 January 2019, such tax relief period will only last until 30 June 2021. CTOS Data Systems Sdn. Bhd. requires approval from the MDEC or the relevant authorities to continue enjoying these tax incentives from 1 July 2021 until 8 November 2021 (the "Transitional Period").

CTOS Data Systems Sdn. Bhd. will seek for approval to continue enjoying these tax incentives during the Transitional Period and to renew the pioneer status incentive for a further period of 5 years.

Tax expense for the taxation authorities in the Philippines is calculated at the rate prevailing in that jurisdiction.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.9 TAX EXPENSE (CONTINUED)

The explanation of the relationship between the tax expenses and profit before tax is as follows:

	Financial years ended		
	31.12.2018	31.12.2019	31.12.2020
	%	%	%
Numerical reconciliation between the Malaysian tax rate and effective tax rate			
Malaysian tax rate:	24	24	24
Tax effects of:			
- pioneer status tax exemption	(20)	(22)	(25)
- income not subject to tax	-	-	(2)
- expenses not deductible for tax purposes	3	3	7
- share of profits of associates	-	-	(1)
- deferred tax not recognised at statutory rates	-	-	1
- temporary differences not recognised	-	-	2
Effective tax rate	7	5	6

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.10 PROPERTY, PLANT AND EQUIPMENT

	As at 1.1.2018 RM'000	Additions RM'000	Disposals RM'000	Reclassification RM'000	As at 31.12.2018 RM'000
Group					
Cost					
Computers	12,078	2,032	(4)	5,456	19,562
Office equipment	832	15	-	-	847
Renovation	4,664	238	-	37	4,939
Furniture and fittings	94	-	-	-	94
Motor vehicles	61	-	-	-	61
Work in progress	947	7,857	-	(5,493)	3,311
	18,676	10,142	(4)	-	28,814
Accumulated depreciation					
Computers	6,332	2,226	(2)	-	8,556
Office equipment	424	160	-	-	584
Renovation	1,168	870	-	-	2,038
Furniture and fittings	51	12	-	-	63
Motor vehicles	40	15	-	-	55
	8,015	3,283	(2)	-	11,296

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	As at 1.1.2019	Additions	Disposals	Reclassification	As at 31.12.2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
Cost					
Computers	19,562	1,737	(8)	3,070	24,361
Office equipment	847	23	-	-	870
Renovation	4,939	158	(6)	-	5,091
Furniture and fittings	94	8	-	-	102
Motor vehicles	61	-	-	-	61
Work in progress	3,311	2,409	(197)	(3,070)	2,453
	28,814	4,335	(211)	-	32,938
Accumulated depreciation					
Computers	8,556	3,804	(5)	-	12,355
Office equipment	584	140	-	-	724
Renovation	2,038	819	(4)	-	2,853
Furniture and fittings	63	12	-	-	75
Motor vehicles	55	6	-	-	61
	11,296	4,781	(9)	-	16,068

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	As at 1.1.2020	Acquisition of subsidiary	Additions	Disposals	Reclassification	Foreign currency translation	As at 31.12.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Cost							
Computers	24,361	192	4,677	(119)	952	(17)	30,046
Office equipment	870	9	24	-	-	(1)	902
Renovation	5,091	63	37	(6)	-	(1)	5,184
Furniture and fittings	102	36	11	(64)	-	-	85
Motor vehicles	61	65	-	-	-	(2)	124
Work in progress	2,453	-	506	(45)	(952)	-	1,962
	32,938	365	5,255	(234)	-	(21)	38,303
Accumulated depreciation							
Computers	12,355	-	4,420	(109)	-	(3)	16,663
Office equipment	724	-	119	-	-	-	843
Renovation	2,853	-	886	(4)	-	(1)	3,734
Furniture and fittings	75	-	15	(32)	-	-	58
Motor vehicles	61	-	34	-	-	(1)	94
	16,068	-	5,474	(145)	-	(5)	21,392

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	As at 31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
Net book value			
Computers	11,006	12,006	13,383
Office equipment	263	146	59
Renovation	2,901	2,238	1,450
Furniture and fittings	31	27	27
Motor vehicles	6	-	30
Work in progress	3,311	2,453	1,962
	17,518	16,870	16,911

2.11 LEASES

(i) The statement of financial position shows the following amounts relating to leases:

Right-of-use assets

Buildings	Note	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
At 1 January 2019		-	-	-
Effect of adoption of MFRS 16	2.35	4,556	(253)	4,303
At 1 January 2019 (restated)		4,556	(253)	4,303
Charged to statement of comprehensive income	2.6	-	(1,519)	(1,519)
At 31 December 2019		4,556	(1,772)	2,784
At 1 January 2020		4,556	(1,772)	2,784
Acquisition of subsidiary	2.38	243	-	243
Additions		801	-	801
Charged to statement of comprehensive income	2.6	-	(1,739)	(1,739)
Currency translation differences		(23)	5	(18)
At 31 December 2020		5,577	(3,506)	2,071

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2.11 LEASES (CONTINUED)

(i) The statement of financial position shows the following amounts relating to leases (continued):

Lease liabilities

	As at	
	31.12.2019	31.12.2020
	RM'000	RM'000
Current	1,532	1,876
Non-current	1,349	375
As at 31 December	2,881	2,251

(ii) Nature of the lessee's leasing activities and restrictions or covenants imposed by leases

The Group leases various office spaces. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowings.

(iii) Variable payments terms

The Group does not have any variable payment terms on its lease agreements.

(iv) Extension options and termination options

Extension and termination options are included in lease contracts across the Group. Extension and termination options are included, when possible, to provide greater flexibility. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

In cases in which the Group is not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities. In the current financial year, the Group did not exercise any extension option, therefore no financial effect recognised in lease liabilities.

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2.11 LEASES (CONTINUED)

(iv) Extension options and termination options (continued)

Potential future rental payments to periods following the exercise date of extension options are summarised below.

	Potential future lease payments not included in lease liabilities (undiscounted)				
	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000	Total RM'000
Office space	277	1,663	1,663	1,386	4,989

(v) Movement in lease liabilities arising from financing activities is as below:

	Financial year ended 31.12.2019 RM'000	Financial year ended 31.12.2020 RM'000
At 1 January/effects of transitioning to MFRS 16	4,324	2,881
Acquisition of subsidiary	-	276
Additions	-	801
Repayment of lease liabilities	(1,663)	(1,847)
Non-cash changes:		
Interest expense (Note 2.5)	220	162
Currency translation differences	-	(22)
At 31 December	2,881	2,251

2.12 INTANGIBLE ASSETS

	Note	Goodwill RM'000	Database and customer relationship RM'000	License fee RM'000	Total RM'000
31.12.2018					
As at 1 January		37,906	-	101	38,007
Amortisation charge for the financial year	2.6	-	-	(80)	(80)
As at 31 December		37,906	-	21	37,927
Cost		37,906	3,046	1,443	42,395
Accumulated amortisation		-	(3,046)	(1,422)	(4,468)
As at 31 December		37,906	-	21	37,927

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2.12 INTANGIBLE ASSETS (CONTINUED)

	Note	Goodwill	Database and customer relationship	Brand name and trademark	License fee	Computer software	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2019							
As at 1 January		37,906	-	-	21	-	37,927
Amortisation charge for the financial year	2.6	-	-	-	(21)	-	(21)
As at 31 December		37,906	-	-	-	-	37,906
Cost		37,906	3,046	-	1,443	-	42,395
Accumulated amortisation		-	(3,046)	-	(1,443)	-	(4,489)
As at 31 December		37,906	-	-	-	-	37,906
31.12.2020							
As at 1 January		37,906	-	-	-	-	37,906
Acquisition of subsidiary	2.36	8,260	291	710	-	628	9,889
Additions		-	-	-	-	2,182	2,182
Amortisation charge for the financial year	2.6	-	(29)	(18)	-	(219)	(266)
Currency translation difference		(104)	(6)	(16)	-	(13)	(139)
As at 31 December		46,062	256	676	-	2,578	49,572

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2.12 INTANGIBLE ASSETS (CONTINUED)

31.12.2020	Goodwill RM'000	Database and customer relationship RM'000	Brand name and trademark RM'000	License fee RM'000	Computer software RM'000	Total RM'000
Cost	46,166	3,337	710	1,443	2,810	54,466
Accumulated amortisation	-	(3,075)	(18)	(1,443)	(219)	(4,755)
Currency translation difference	(104)	(6)	(16)	-	(13)	(139)
As at 31 December	46,062	256	676	-	2,578	49,572

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2.12 INTANGIBLE ASSETS (CONTINUED)

Impairment testing for cash-generating units ("CGU") containing goodwill

For the purpose of impairment testing, the carrying amount of goodwill is allocated to CGUs identified at the operating segments, which are the Malaysian and International operations as disclosed in Note 2.34.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on internally approved financial forecasts covering five years period which reflect management's expectations of revenue and earnings before interest, taxes, depreciation and amortisation ("EBITDA") based on past experience and future expectations of business performance.

A segment-level summary of the Group's net book value of goodwill allocation is as follows:

Group	2018	2019	2020
	RM'000	RM'000	RM'000
Malaysia	37,906	37,906	37,906
International	-	-	8,156

The key assumptions used in the value-in-use calculation are as follows:

Malaysia

For the financial year ended 31 December 2018

(a) revenue growth ranging from 6% to 30% for the next five years financial forecast period;
(b) EBITDA margin ranging from 35% to 40% for the next five years financial forecast period;
(c) pre-tax discount rate of 17.10%; and
(d) terminal growth rate of 1.00%.

For the financial year ended 31 December 2019

(a) revenue growth ranging from 5% to 36% for the next five years financial forecast period;
(b) EBITDA margin ranging from 36% to 39% for the next five years financial forecast period;
(c) pre-tax discount rate of 11.88%; and
(d) terminal growth rate of 1.00%.

For the financial year ended 31 December 2020

(a) revenue growth ranging from 5% to 21% for the next five years financial forecast period;
(b) EBITDA margin ranging from 38% to 40% for the next five years financial forecast period;
(c) pre-tax discount rate of 9.55%; and
(d) terminal growth rate of 2.42%.

The key assumptions in the forecast that is most likely to be sensitive is changes in discount rate during the forecast period for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020. However, based on the sensitivity analysis performed, the Directors have concluded that any variation of 10% in the base case assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

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2.12 INTANGIBLE ASSETS (CONTINUED)

Malaysia (continued)

A downward variation to the highest range of the revenue growth assumption by 15%, based on the actual historical revenue growth rate compared to the revenue growth rate assumption used in the value-in-use calculation, would not cause the carrying amount of the CGU to exceed its recoverable amount for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020.

International

The key assumptions used in the value-in-use calculation are as follows:

For the financial year ended 31 December 2020

(a) average revenue growth of approximately 11% for the next five years financial forecast period;
(b) average EBITDA margin of approximately 12% for the next five years financial forecast period;
(c) pre-tax discount rate of 11.6%; and
(d) terminal growth rate of 2.4%.

The key assumption in the forecast that is most likely to be sensitive is changes in discount rate during the forecast period. However, based on the sensitivity analysis performed, the Directors have concluded that any variation of 10% in the base case assumption would not cause the carrying amount of the CGU to exceed its recoverable amount.

2.13 INVESTMENTS IN SUBSIDIARIES

The information on the subsidiaries are as follows:

Name	Principal activities	Group's effective interest 31.12.2018		As at 31.12.2020
		31.12.2018	31.12.2019	31.12.2020
Incorporated in Malaysia				
CTOS Data Systems Sdn. Bhd. ("CDS") [1]	Credit reporting agency and other digital software related services	100%	100%	100%
CTOS Business Systems Sdn. Bhd. ("CBS") [1]	Software developer and other related services	100%	100%	100%
Automated Mail Responder Sdn. Bhd. ("AMR") [1]	Dormant	100%	100%	100%
Intellidata Solutions Sdn. Bhd. ("IDS") [1]	Outsourcing and training services	100%	100%	100%

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2.13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The information on the subsidiaries are as follows (continued):

Name	Principal activities		Group's effective interest As at	
		31.12.2018	31.12.2019	31.12.2020
Incorporated in Malaysia (continued)				
Enfo Sdn. Bhd. ("Enfo") [2]	Investment holding	-	100%	100%
CTOS Insights Sdn. Bhd. ("CTOS Insights", formerly known as Formis E-Solutions Sdn. Bhd.) [2]	Investment holding	-	100%	100%
Incorporated in Singapore				
CIBI Holdings Pte. Ltd. ("CIBI Holdings", formerly known as CTOS SG Pte. Ltd.) [3]	Investment holding	-	-	100%
Incorporated in the Philippines				
Subsidiary of CIBI Holdings				
CIBI Information, Inc. ("CIBI") [2]	Credit information bureau, business information reporting and data analytics services such as pre-employment check	-	-	51%

[1] Audited by PricewaterhouseCoopers PLT, Malaysia auditors of the Company
[2] The financial statements of these companies are audited by firms other than the auditors of the Company
[3] The financial statements of these companies are audited by member firms of PricewaterhouseCoopers International Limited which are separate and independent legal entities from PricewaterhouseCoopers PLT, Malaysia.

2.14 INVESTMENT IN ASSOCIATES

The details of the associates are as below:

Name	Principal activities		Group's effective interest As at	
		31.12.2018	31.12.2019	31.12.2020
Incorporated in Malaysia				
Associate held through Enfo and CTOS Insights				
Experian Information Services (Malaysia) Sdn. Bhd. ("Experian") (formerly known as "RAM Credit Information Sdn. Bhd.")	Provision of credit reporting business, credit bureau and information services	-	26%	26%

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2.14 INVESTMENT IN ASSOCIATES (CONTINUED)

The details of the associates are as below (continued):

Name	Principal activities	Group's effective interest		
				As at
		31.12.2018	31.12.2019	31.12.2020
Incorporated in Thailand				
Associate held by the Company				
Business Online Public Company Limited ("BOL")	Service provider and developer of local and global financial Information system and as an online and offline business information service provider as well as consulting service and database management	-	-	20%
Incorporated in the Philippines				
Associate held by CIBI				
Consumer CreditScore Philippines, Inc. ("CCSP")	Credit sourcing company	-	-	20%

(a) Acquisition of equity interest in associates

On 25 July 2019, the Company completed the acquisition of the entire issued and paid-up share capital of Enfo and CTOS Insights for a cash consideration of RM29.3 million and RM26.9 million respectively. Enfo and CTOS Insights respectively holds 10% and 16% equity interest in Experian. The purchase consideration reflects the cost of investment in Experian, an associate.

On 12 October 2020, the Company entered into a sale and purchase agreement to acquire 164,101,100 shares in the share capital of Business Online Public Company Limited ("BOL"), representing 20% of equity interest in BOL for a total cash consideration of USD22.1 million (equivalent to RM91.9 million). BOL is a business information service provider in Thailand listed on the Stock Exchange of Thailand. The acquisition was completed on 28 October 2020.

CCSP is an associate of CIBI, which was acquired by CIBI in 2016. In 2019, CIBI assessed that the investment in CCSP was impaired. The carrying amount of investment in CCSP as of 31 December 2020 is nil.

(b) Contingent liabilities

There are no contingent liabilities relating to the Group's interest in the associates.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.14 INVESTMENT IN ASSOCIATES (CONTINUED)

(c) Summarised financial information

The tables below provide summarised financial information for the associates of the Group which are accounted for using the equity method. The information disclosed reflects the amounts presented in the financial statements of the associates and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments.

	Experian	
	As at 31.12.2019 RM'000	As at 31.12.2020 RM'000
Summarised statement of financial position		
Current assets	24,554	30,165
Non-current assets	3,628	2,926
Current liabilities	(8,280)	(8,561)
Non-current liabilities	(112)	(68)
Net assets	19,790	24,462
Group's share in %	26%	26%
Group's share of net assets	5,145	6,360
Goodwill	51,796	51,796
Carrying amount at end of financial year	56,941	58,156

	Experian	
	25.7.2019 to 31.12.2019 RM'000	31.12.2020 RM'000
Summarised statement of comprehensive income		
Revenue	17,331	34,384
Profit/total comprehensive income for the financial year	2,927	5,172
Share of total comprehensive income of associate	761	1,345

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.14 INVESTMENT IN ASSOCIATES (CONTINUED)

(c) Summarised financial information (continued)

The tables below provide summarised financial information for the associates of the Group which are accounted for using the equity method. The information disclosed reflects the amounts presented in the financial statements of the associates and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments (continued).

	BOL As at 31.12.2020 RM'000
Summarised statement of financial position	
Current assets	66,101
Non-current assets	94,679
Current liabilities	(28,502)
Non-current liabilities	(15,066)
Net assets	117,212
Group's share in %	20%
Group's share of net assets	23,442
Goodwill	69,237
Carrying amount at end of financial year	92,679
Quoted fair value	145,120

	BOL 28.10.2020 to 31.12.2020 RM'000
Summarised statement of comprehensive income	
Revenue	12,814
Profit for the financial period	2,200
Other comprehensive income	1,644
Share of total comprehensive income of associate	769

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.15 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Deferred tax assets	47	123	1,080
Deferred tax liabilities	(23)	-	-

The analysis of deferred tax assets and deferred tax liabilities is as follows:

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Deferred tax assets:			
- to be recovered after more than 12 months	25	62	1,100
- to be recovered within 12 months	549	309	410
	574	371	1,510
Deferred tax liabilities:			
- to be settled after more than 12 months	(307)	(134)	(320)
- to be settled within 12 months	(243)	(114)	(110)
	(550)	(248)	(430)
Deferred tax assets (net)	24	123	1,080

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.15 DEFERRED TAXATION (CONTINUED)

The analysis of deferred tax assets and deferred tax liabilities is as follows (continued):

	As at		
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
At 1 January	(266)	24	123
Acquisition of subsidiary	-	-	865
- contract liabilities	-	-	61
- unutilised business losses	-	-	512
- defined benefit plan	-	-	82
- receivables	-	-	507
- intangible assets	-	-	(300)
- others	-	-	3
Credited/(Charged) to profit or loss:	290	99	113
- provisions and accruals	(19)	(9)	(1)
- property, plant and equipment	(84)	381	16
- right-of-use assets	-	(127)	77
- contract liabilities	407	(280)	45
- lease liabilities	-	132	(47)
- unutilised business losses	-	-	26
- unabsorbed capital allowances	(14)	(11)	-
- defined benefit plan	-	-	(8)
- receivables	-	13	(24)
- intangible assets	-	-	14
- others	-	-	15
Charged to other comprehensive income:	-	-	(21)
- foreign currency translation	-	-	(21)
At 31 December	24	123	1,080

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.15 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Deferred tax assets (before offsetting):			
- provisions and accruals	24	15	14
- property, plant and equipment	66	9	20
- unutilised business losses	-	-	525
- unabsorbed capital allowances	11	-	-
- defined benefit plan	-	-	72
- contract liabilities	473	193	298
- lease liabilities	-	132	84
- receivables	-	13	485
- others	-	-	19
	574	362	1,517
Offsetting	(527)	(239)	(437)
Deferred tax assets (after offsetting)	47	123	1,080

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Deferred tax liabilities (before offsetting):			
- property, plant and equipment	(550)	(112)	(107)
- right-of-use assets	-	(127)	(50)
- intangible assets	-	-	(280)
	(550)	(239)	(437)
Offsetting	527	239	437
Deferred tax liabilities (after offsetting)	(23)	-	-

The Group has concluded that the deferred tax assets for CIBI will be recoverable using the estimated future taxable income based on the approved business plans and forecast for the subsidiary. The deductible temporary differences arising from unutilised tax losses, tax credits and provisions for which no deferred tax assets were recognised amounted to RM3.7 million. The unutilised tax losses will expire in 2025.

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2.16 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	31.12.2018 RM'000	31.12.2019 RM'000	As at 31.12.2020 RM'000
Non-current				
Prepayments		-	-	905
Current				
Trade receivables	(a)	14,292	17,224	21,190
Allowance for impairment - trade receivables	2.27 (c)	(1,264)	(1,178)	(1,338)
Trade receivables - net		13,028	16,046	19,852
Other receivables		1,131	983	1,346
Deposits		1,024	754	763
Prepayments		2,735	3,666	6,262
		17,918	21,449	28,223

(a) Trade receivables

Information about the impairment of trade receivables and the Group's exposure to credit risk is disclosed in Note 2.27 (c).

2.17 AMOUNT DUE FROM RELATED PARTIES/ AMOUNT DUE TO A RELATED PARTY

As at 31 December 2018, the amount due from related parties is non-trade in nature, unsecured, interest free and is repayable on demand. The amount is denominated in RM.

As at 31 December 2019 and 31 December 2020, the amount due from related parties and amount due to a related party are trade in nature, unsecured, interest free and with credit periods of up to 30 days. The amount is denominated in RM.

2.18 CASH AND BANK BALANCES

Cash and cash equivalents at the end of the financial year comprise the following:

	31.12.2018 RM'000	31.12.2019 RM'000	As at 31.12.2020 RM'000
Cash and bank balances	10,216	6,108	26,371
Less: restricted cash	-	(619)	(1,435)
Cash and cash equivalents	10,216	5,489	24,936

Restricted cash comprise amounts held in a debt service reserve account associated with the term loan facilities.

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2.19 PAYABLES AND ACCRUALS

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Current			
Trade payables and accruals	1,906	1,586	2,178
Other payables and accruals	5,952	5,241	7,108
Deposits payable to customers	1,582	1,631	2,395
Duties and tax payable	1,209	1,451	1,998
Payroll liabilities	1,481	1,633	1,529
Payroll accruals	1,553	2,086	1,912
	13,683	13,628	17,120

Trade and other payables of the Group carry credit periods ranging from 0 to 60 days (2019: 0 to 30 days; 2018: 0 to 30 days).

2.20 AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company is unsecured, interest free and is repayable on demand. The amount is denominated in USD.

Reconciliation of amount due to immediate holding company from financing activities:

	Financial year ended	
	31.12.2019	31.12.2020
	RM'000	RM'000
At 1 January	-	14,297
Advances from immediate holding company	56,297	-
Repayment of advances from immediate holding company	(42,000)	(14,297)
At 31 December	14,297	-

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2.21 BORROWINGS

	Note	31.12.2018 RM'000	31.12.2019 RM'000	As at 31.12.2020 RM'000
Current				
Term loan	(a)	857	3,192	132,320
Revolving credit	(b)	5,000	15,000	-
		5,857	18,192	132,320
Non-current				
Term loan	(a)	5,678	9,436	-
Total borrowings		11,535	27,628	132,320

(a) Term loan

(i) Term loan facility RM15 million

RM7.0 million of the term loan facility was drawn down on 2 November 2018, which was net-off against the arrangement fee of RM0.3 million. The term loan facility was fully utilised with RM8.0 million being drawn down on 19 December 2019. The term loan facility is repayable in 55 monthly instalments commencing on 2 May 2019 with final maturity on 2 November 2023. The term loan bears interest at a variable rate of 6.00% in 2019 (2018: 6.19%), based on a rate of 2.5% above cost of funds.

RM2.2 million of the term loan was repaid in the financial year ended 31 December 2019. This term loan was early settled on 28 October 2020.

Upon the occurrence of a mandatory prepayment event, the lender has the right to cancel the term loan facility and the total outstanding loan balance will become immediately due and payable.

(ii) Accordion RM38 million

The Accordion was fully drawn down on 14 February 2020 and is repayable in 45 monthly instalments commencing on 16 February 2020 and the balance repayable in one bullet repayment on 2 November 2023.

This term loan bears interest at a variable rate of 4.525% as at the reporting date, based on a rate of 2.5% above Cost of Funds.

This Accordion was early settled on 28 October 2020.

Upon the occurrence of a mandatory prepayment event, the lender has the right to cancel the term loan facility and the total outstanding loan balance will become immediately due and payable.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.21 BORROWINGS (CONTINUED)

(a) Term loan (continued)

(iii) Term loan facility USD22.1 million

USD22.1 million of the USD term loan facility was drawn down on 28 October 2020 and is repayable in quarterly instalments commencing on 28 January 2021 with final maturity on 28 October 2025.

This term loan bears interest at a variable rate of 2.58% as at the reporting date, based on a rate of 2.0% above Cost of Funds.

Upon the occurrence of certain mandatory prepayment events which includes a change in equity interests of the holding companies in the Company or an initial public offering ("IPO") , the lender has the right to cancel the term loan facility and the total outstanding loan balance will become due and payable. In the event of an IPO, the proceeds derived from the IPO shall be utilised to repay the total outstanding loan balance. The Company has initiated the preparation to undertake an IPO of its shares during the financial year ended 31 December 2020. Accordingly, the total balance has been classified as current as at 31 December 2020.

(iv) Term loan facility RM45.6million

RM45.6 million of the term loan facility was drawn down on 28 October 2020 and is repayable in quarterly instalments commencing on 28 January 2021 with final maturity on 28 October 2025.

This term loan bears interest at a variable rate of 4.33% as at the reporting date, based on a rate of 2.0% above Cost of Funds.

Upon the occurrence of certain mandatory prepayment events which includes a change in equity interests of the holding companies in the Company or an IPO, the lender has the right to cancel the term loan facility and the total outstanding loan balance will become due and payable. In the event of an IPO, the proceeds derived from the IPO shall be utilised to repay the total outstanding loan balance. The Company has initiated the preparation to undertake an IPO of its shares during the financial year ended 31 December 2020. Accordingly, the total balance has been classified as current as at 31 December 2020.

(b) Revolving credit

The revolving credit facility provides for borrowings of up to a maximum aggregate principal amount of RM15 million with a variable rate of 5.50% in 2019 (2018: 5.69%), based on a rate of 2.0% above Cost of Funds. The revolving credit facility is repayable 12 months from the date of utilisation or date of renewal.

In the financial year ended 31 December 2018, RM5.0 million of the revolving credit facility was drawn down. RM24.0 million was drawn down from the revolving credit facility and RM14.0 million was repaid during the financial year ended 31 December 2019. A total of RM18 million was drawn down from the revolving credit facility and RM33 million was repaid during the financial year ended 31 December 2020.

Upon the occurrence of a mandatory prepayment event, the lender has the right to cancel the revolving credit facility and the total outstanding revolving credit balance will become immediately due and payable.

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2.21 BORROWINGS (CONTINUED)

Reconciliation of borrowings from financing activities:

	Note	Financial years ended 31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
As at 1 January		-	11,535	27,628
Acquisition of subsidiary	2.36	-	-	2,376
Drawdown during the financial year		11,700	32,000	193,553
Repayment		-	(16,182)	(86,193)
Transaction costs		(266)	-	(2,999)
Interest on borrowings	2.5	96	933	4,024
Interest paid		(37)	(658)	(2,813)
Unrealised gain on foreign exchange		-	-	(3,255)
Currency translation differences		-	-	(1)
Others		42	-	-
Total borrowings		11,535	27,628	132,320

Term loan facility of RM15 million, Accordion of RM38 million and Revolving credit

In accordance with the facilities agreement, the Company and its subsidiaries are restricted from, amongst others:

(a) disposing or acquiring any assets unless the prior consent of the lenders have been obtained other than those permitted in the facilities agreement.

(b) incurring or to remain outstanding any financial indebtedness other than existing borrowings or to provide any loans and guarantees other than those permitted in the facilities agreement.

(c) making any payment and/or cash distribution including dividends, save for the dividend payments made for Inodes to repay its principal and interest under Inodes' financing facility.

The borrowings are secured against:

(a) Debentures

- by way of fixed and floating charges over all the assets, properties, and undertakings (both movable and immovable, present, and future) of the Company; and
- by way of assignment of the benefit to the security agent of all rights and claims entitled by the Company in relation to the Company's assets and contracts or agreements both present and future;

(b) Charge over Revenue Collection Account

- by way of first ranking legal charge:

  (i) the revenue collection account[(1)];
  (ii) the credit balances[(2)]; and
  (iii) all rights of the Company to payment or repayment of the credit balances and all other rights from time to time accruing in respect of the revenue collection account.

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2.21 BORROWINGS (CONTINUED)

Term loan facility of RM15 million, Accordion of RM38 million and Revolving credit (continued)

(c) Charge over subsidiaries shares

- by way of first ranking legal charge over all shares of the subsidiaries held by the Company.

Note:
(1) Revenue collection account opened or to be opened by the Company pursuant to the terms of the charge over revenue collection account.
(2) All amounts whether principal or interest deposited in or credited to, and for the time being standing to the credit of the revenue collection account.

Term loan facility of USD22.1 million and RM45.6 million

In accordance with the facilities agreement, the Company and its subsidiaries are restricted from, amongst others:

(a) disposing or acquiring any assets unless the prior consent of the lenders have been obtained other than those permitted in the facilities agreement.

(b) incurring or to remain outstanding any financial indebtedness other than existing borrowings or to provide any loans and guarantees other than those permitted in the facilities agreement.

(c) making any payment and/or cash distribution including dividends, save for the dividend payments made for Inodes to repay its principal and interest under Inodes' financing facility.

The borrowings are secured against:

(a) Debentures

- by way of fixed and floating charges over all the assets, properties and undertakings (both movable and immovable, present and future) of the Company. The amount of the Company's assets charged as of 31 December 2020 is RM317.9 million.

(b) Charge over designated accounts

- by way of first party first legal charge over all designated accounts of the Borrower, inclusive of Proceeds Account and Debt Service Reserve Account ("DSRA").

(c) Charge over Associates' shares

- by way of first party pledge over 20% the BOL Shares acquired and held by the Company; and
- by way of third party first legal charge by way of Deed of Share Pledge over 26% of Experian Shares.

(d) Cross Corporate Guarantee

- Cross Corporate Guarantee of up to USD22.1 million and RM45.6 million by the following companies:

  (i) CTOS Data Systems Sdn. Bhd.
  (ii) CTOS Business Systems Sdn. Bhd.
  (iii) Intellidata Solutions Sdn. Bhd.
  (iv) Enfo Sdn. Bhd.
  (v) CTOS Insights Sdn. Bhd.

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2.21 BORROWINGS (CONTINUED)

Contractual terms of borrowings

	Contractual interest rate at reporting date (per annum)	Functional currency/ currency exposure	Total carrying amount	2019	2020	2021-2023
				Maturity profile		
				≤1 year	1-2 years	2-5 years
	%		RM'000	RM'000	RM'000	RM'000
At 31 December 2018						
Term loan	2.5% + COF[1]	RM	6,535	857	1,397	4,281
Revolving credit	2.0% + COF[1]	RM	5,000	5,000	-	-
			11,535	5,857	1,397	4,281

	Contractual interest rate at reporting date (per annum)	Functional currency/ currency exposure	Total carrying amount	2020	2021	2022-2023
				Maturity profile		
At 31 December 2019				≤1 year	1-2 years	2-5 years
	%		RM'000	RM'000	RM'000	RM'000
Term loan	2.5% + COF[1]	RM	12,628	3,192	3,214	6,222
Revolving credit	2.0% + COF[1]	RM	15,000	15,000	-	-
			27,628	18,192	3,214	6,222

Note:
[1] COF denotes cost of funds

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2.21 BORROWINGS (CONTINUED)

Contractual terms of borrowings (continued)

	Contractual interest rate at reporting date (per annum)	Functional currency/ currency exposure	Total carrying amount	2021	2022	2023-2025
				Maturity profile		
				<1 year	1-2 years	2-5 years
	%		RM'000	RM'000	RM'000	RM'000
At 31 December 2020						
Term loans	2.0% + COF[1]	USD	87,558	87,558	-	-
	2.0% + COF[1]	RM	44,762	44,762	-	-
			132,320	132,320	-	-

Note:
[1] COF denotes cost of funds

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.22 PROVISION FOR RESTORATION COSTS

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
At 1 January	555	465	584
Capitalised in property, plant and equipment	-	101	-
Reversal of provision for restoration costs	(109)	-	-
Accretion expense included in finance costs	19	18	19
As at 31 December	465	584	603

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Current	-	-	603
Non-current	465	584	-
As at 31 December	465	584	603

2.23 SHARE CAPITAL

	Number of shares	31.12.2018	Number of shares	31.12.2019	Number of shares	31.12.2020
	'000	RM'000	'000	RM'000	'000	RM'000
Issued and fully paid:						
Ordinary shares:						
At 31 December	100,000	197,994	100,000	197,994	100,000	197,994

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2.24 OTHER RESERVES

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Share-based payments reserve			
At 1 January	256	976	2,626
Share-based payment expense during the financial year	720	1,650	3,284
Settlement of ESOS with option holders	-	-	(113)
Reclassification of share-based payment reserve to retained earnings	-	-	(5,797)
At 31 December	976	2,626	-
Foreign currency translation reserve			
At 1 January	-	-	-
Currency translation differences arising from translation of:			
- subsidiary	-	-	(231)
- associate	-	-	86
At 31 December	-	-	(145)
Retirement benefit reserve			
At 1 January	-	-	-
Other comprehensive loss:			
Remeasurement on retirement liability	-	-	(143)
At 31 December	-	-	(143)
Fair value reserve			
At 1 January	-	-	-
Other comprehensive income:			
Gain on changes in value of equity investments designated at fair value through other comprehensive income - net of income tax	-	-	243
At 31 December	-	-	243
Total other reserves	976	2,626	(45)

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2.24 OTHER RESERVES (CONTINUED)

Share-based payment reserve

The share-based payment reserve arose from share options granted to eligible executives of the subsidiary in the Group pursuant to the ESOS. Terms of the scheme are disclosed in Note 2.32.

Foreign currency translation reserve

Foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of a subsidiary whose functional currency differs from the Group's presentation currency.

2.25 PROVISION FOR DEFINED BENEFIT PLAN

The Group's post-employment benefits obligation solely arises from its subsidiary, CIBI in the Philippines. CIBI provides defined post-employment benefits to their employees in accordance with Republic Act ("RA") No.7641, The Philippines Retirement Law, which provides for its qualified employees a defined benefit ("DB") minimum guarantee.

The DB obligation is valued annually by E.M. Zalamea Actuarial Services, Inc., a qualified independent actuary in the Philippines. The method used in the actuarial valuation is the projected unit credit method with the following principal assumptions:

	As at 31.12.2020
Discount rates	3.79%
Future salary increases	5.00%

The movement during the financial year in the amounts recognised in the statements of financial position of the Group are as follows:

	As at 31.12.2020 RM'000
Present value of retirement obligation	1,870
Fair value of plan assets	(1,449)
Net retirement liability	421

The movements in the net retirement liability are as follows:

	As at 31.12.2020 RM'000
At 1 January	-
Acquisition of subsidiary	126
Contribution paid	(47)
Defined benefit plan expense	71
Actuarial loss	280
Foreign currency translation difference	(9)
At 31 December	421

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2.25 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

The movements in the present value of the pension obligation are as follows:

	As at 31.12.2020 RM'000
As at acquisition date	1,391
Current service cost	74
Interest cost	35
Benefit paid	(55)
Actuarial loss	469
Foreign currency translation difference	(44)
At 31 December	1,870

The movements in the fair value of plan assets are as follows:

	As at 31.12.2020 RM'000
As at acquisition date	1,473
Contribution paid by employer	47
Actuarial gains	(31)
Return on plan assets	49
Benefit paid	(55)
Foreign currency translation difference	(34)
At 31 December	1,449

The Group's defined benefit plan includes an asset ceiling amounting to RM0.2 million and nil as at acquisition date and 31 December 2020.

The fair value of the plan assets by each class as at the end of the financial year are as follows:

	As at 31.12.2020 %
Deposit in banks	0.61
Investment in unit investment trust fund	45.20
Investment in government securities	57.91
Investment in other securities and debt instruments	3.28
Other receivables	(7.00)
Total assets	100

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2.25 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

The amounts recognised in the consolidated statement of comprehensive income in respect of the defined benefit plan are as follows:

	As at 31.12.2020 RM'000
Current service cost	74
Interest cost	35
Return on plan assets	(49)
Interest on the effect of asset ceiling	11
Decrease in net income	71
Net actuarial loss recognised from date of acquisition to 31 December 2020	280
Total loss	351

2.26 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	31.12.2018 RM'000	31.12.2019 RM'000	As at 31.12.2020 RM'000
Financial assets at amortised cost:				
Receivables and deposits (excluding prepayments)	2.16	15,067	16,860	21,475
Amount due from related parties	2.17	2	1	3
Cash and bank balances	2.18	10,216	6,108	26,371
		25,285	22,969	47,849
Financial liabilities at amortised cost:				
Payables and accruals (excluding statutory liabilities)	2.19	9,499	8,458	11,692
Amount due to a related party	2.17	-	-	371
Amount due to immediate holding company	2.20	-	14,297	-
Lease liabilities	2.11	-	2,881	2,251
Borrowings	2.21	11,535	27,628	132,320
		21,034	53,264	146,634

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.27 FINANCIAL RISK MANAGEMENT

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk, credit risk, liquidity risk and cash flow risk. The Group operates within clearly defined guidelines that are approved by the Directors and the Group's policy is to not engage in speculative transactions.

(a) Market risk

Market risk is the risk that the fair value or future cash flow of the financial instruments that will fluctuate because of changes in market prices. The various components of market risk that the Group are exposed to are discussed below.

(i) Foreign exchange risk

The objectives of the Group's currency risk management policies are to allow the Group to effectively manage the foreign exchange fluctuation against its functional currency that may arise from future commercial transactions and recognised assets and liabilities. The Group monitors the movement in foreign currency exchange rates closely to ensure their exposures are minimised.

As at 31 December 2018 and 31 December 2019, the Group has no significant exposure to foreign exchange risk. The Directors believe that a reasonable fluctuation in the foreign exchange rate would not cause any material effect to the Group's profit.

As at 31 December 2020, the currency exposure of financial assets and financial liabilities of the Group that are not denominated in the functional currency are set out below.

Group

	Currency exposure as at 31 December 2020 USD RM'000
Receivables	655
Cash and bank balances	2,536
Payables	(87)
Borrowings	(87,558)
Net exposure	(84,454)

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The sensitivity of the Group's profit after tax for the financial year and equity to a reasonably possible change in the USD exchange rate against the functional currencies, of RM and Philippine Peso ("PHP"), with all other factors remaining constant and based on the composition of assets and liabilities at the reporting date are set out as below.

Group

	Impact on profit after tax for the financial year ended 31 December 2020 RM'000
USD/RM	
- strengthened 10%	(8,696)
- weakened 10%	8,696
USD/PHP	
- strengthened 10%	251
- weakened 10%	(251)

The impact on profit after tax for the financial year are mainly as a result of foreign currency gain/losses on translating of USD denominated receivables, cash and bank balances, payables and borrowings.

(ii) Interest rate risk

The Group's interest rate risk arises from revolving credit and term loan carrying variable interest rates.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The net exposure of financial liabilities of the Group to interest rate risk and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows:

	Weighted average effective interest rate at reporting date	Total carrying amount	Floating interest rate		
			<1 year	1-2 years	2-5 years
	%	RM'000	RM'000	RM'000	RM'000
At 31 December 2018					
Term loan	6.19	6,535	857	1,397	4,281
Revolving credit	5.72	5,000	5,000	-	-
		11,535	5,857	1,397	4,281
At 31 December 2019					
Term loan	6.00	12,628	3,192	3,214	6,222
Revolving credit	5.50	15,000	15,000	-	-
		27,628	18,192	3,214	6,222
At 31 December 2020					
Term loan	2.58	87,558	87,558	-	-
Term loan	4.33	44,762	44,762	-	-
		132,320	132,320	-	-

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

As at the end of each reporting date, the sensitivity of the Group's profit after tax to a reasonably possible change in interest rates with all other factors held constant and based on the composition of liabilities with floating interest rates at the reporting date are as follows:

Group

	Impact on profit after tax for the financial year ended 31 December		
	2018	2019	2020
	RM'000	RM'000	RM'000
Interest rate			
- increased by 1%	(115)	(276)	(1,323)
- decreased by 1%	115	276	1,323

The impact on profit after tax for the financial year is mainly as a result of interest expenses on floating rate borrowings.

(b) Liquidity risk

The objectives of the Group's liquidity risk management policies are to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and availability of funding to cater for growth and expansion. Liquidity risk can be mitigated by forecasting and monitoring cash flow regularly, optimising working capital and managing credit facilities effectively.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The undiscounted contractual cash flows of the financial instruments as at the reporting date are as follows:

	Carrying amount RM'000	Total undiscounted contractual cash flow RM'000	<1 year RM'000	1-2 years RM'000	2-5 years RM'000
31 December 2018					
Payables and accruals	9,499	9,499	9,499	-	-
Term loan	6,535	8,157	1,465	1,847	4,845
Revolving credit	5,000	5,000	5,000	-	-
	21,034	22,656	15,964	1,847	4,845
31 December 2019					
Payables and accruals	8,458	8,458	8,458	-	-
Amount due to immediate holding company	14,297	14,297	14,297	-	-
Lease liabilities	2,881	3,049	1,663	1,386	-
Term loan	12,628	14,352	3,949	3,755	6,648
Revolving credit	15,000	15,072	15,072	-	-
	53,264	55,228	43,439	5,141	6,648
31 December 2020					
Payables and accruals	11,692	11,692	11,692	-	-
Amount due to a related party	371	371	371	-	-
Lease liabilities	2,251	2,285	1,891	356	38
Term loans	132,320	146,345	146,345	-	-
	146,634	160,693	160,299	356	38

As at 31 December 2019, the Group was in a net current liability position of RM24.3 million. A cash flow forecast for the financial year 2020 was prepared taking into account the operational, capital commitments and the availability of facilities from financial institutions. Based on the assessment, there was sufficient cash flows to enable the Group to meet its liabilities as and when they fall due and to carry out its operations without a significant curtailment. Therefore, the Directors have prepared the financial statements of the Group on a going concern basis.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

As at 31 December 2020, the Group was in a net current liability position of RM104.9 million which was mainly contributed by the Group's borrowings as at 31 December 2020. The Group's borrowings have been classified as current liabilities as at 31 December 2020 due to the mandatory repayment term in the loan agreements which requires the proceeds from an IPO be utilised to repay the outstanding borrowings in an IPO event. A cash flow forecast for the financial year 2021 was prepared taking into account the operational, capital commitments and the availability of facilities from financial institutions. Based on the assessment, there was sufficient cash flows to enable the Group to meet its liabilities as and when they fall due and to carry out its operations without a significant curtailment. Therefore, the Directors have prepared the financial statements of the Group on a going concern basis.

The Group had access to the following undrawn borrowing facilities at the end of the reporting date:

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Floating rate			
Revolving credit facility	10,000	-	5,000
Term loan	8,000	-	32,000
	18,000	-	37,000

The term loan facility as at 31 December 2020 is to be drawn for the purpose of financing the acquisition of Basis Corporation Sdn. Bhd., as disclosed in Note 2.38.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

The objectives of the Group's credit risk management policies are to manage its exposure to credit risk from deposits, cash and bank balances, receivables and derivative financial instruments. It does not expect any third parties to fail to meet their obligations given the Group's policy of selecting creditworthy counterparties. The Group does not have any derivative financial instruments as at the reporting date.

Trade and other receivables

Credit risks of trade and other receivables are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via limiting the Group's dealings with creditworthy business partners and customers. Trade and other receivables are monitored on an ongoing basis via the Group's management reporting procedures. For amounts due from immediate holding company and related parties, the exposure to bad debts is not significant since the immediate holding company and the related parties do not have historical default.

Concentration of credit risk

The Group has no significant concentration of credit risk as the Group's policy limits the concentration of financial exposure to any single counterparty.

Impairment of trade receivables

The Group applies the MFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are determined based on 3-year historical ageing profile and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Some of the factors which the Group has identified include Consumption Credit, exchange rate of RM:USD and gross domestic product (2019: consumer price index and industrial production index; 2018: exchange rate of RM:USD and stock market index) and has adjusted the historical loss rates based on expected changes in such factors.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Impairment of trade receivables (continued)

On that basis, the loss allowances as at 31 December 2018, 31 December 2019 and 31 December 2020 were determined as follows for trade receivables:

	Current to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	121 to 150 days past due RM'000	> 150 days past due RM'000	Total RM'000
At 31 December 2018							
Expected loss rate[1]	0.01% - 0.67%	0.02%- 2.24%	0.03%- 7.24%	0.09%- 19.44%	0.26%- 37.22%	0.53%- 92.00%	
Gross carrying amount:							
-Trade receivables	9,316	2,384	1,169	210	125	1,088	14,292
Less allowance:							
- Trade receivables	(56)	(43)	(56)	(27)	(81)	(1,001)	(1,264)

Note:

(1) The expected loss rate comprises customers with different risk profiles

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Impairment of trade receivables (continued)

On that basis, the loss allowances as at 31 December 2018, 31 December 2019 and 31 December 2020 were determined as follows for trade receivables (continued):

	Current to 30 days past due RM'000	**31 to 60 days past due** RM'000	**61 to 90 days past due** RM'000	**91 to 120 days past due** RM'000	**121 to 150 days past due** RM'000	**> 150 days past due** RM'000	**Total** RM'000
At 31 December 2019							
Expected loss rate[1]	0.01% - 0.62%	0.01%- 2.20%	0.01%- 7.13%	0.04%- 18.78%	0.12%- 34.40%	0.27% - 80.00%	
Gross carrying amount:							
-Trade receivables	10,621	3,743	1,082	351	194	1,233	17,224
Less allowance:							
- Trade receivables	(50)	(43)	(41)	(41)	(51)	(952)	(1,178)

Note:

[1] The expected loss rate comprises customers with different risk profiles.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Impairment of trade receivables (continued)

On that basis, the loss allowances as at 31 December 2018, 31 December 2019 and 31 December 2020 were determined as follows for trade receivables (continued):

	Current to 30 days past due RM'000	**31 to 60 days past due** RM'000	**61 to 90 days past due** RM'000	**91 to 120 days past due** RM'000	**121 to 150 days past due** RM'000	**> 150 days past due** RM'000	**Total** RM'000
At 31 December 2020							
Expected loss rate[1]	0.01%-0.37%	0.01%-9.93%	0.01%-11.73%	0.02%-14.62%	0.05%-56.10%	0.13%-87.00%	
Gross carrying amount:							
-Trade receivables	17,977	1,279	392	260	164	1,118	21,190
Less allowance:							
- Trade receivables	(67)	(127)	(46)	(38)	(92)	(968)	(1,338)

Note:

[1] The expected loss rate comprises customers with different risk profiles.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Impairment of trade receivables (continued)

Movement on the Group's loss allowances for receivables is as follows:

				As at
		31.12.2018	31.12.2019	31.12.2020
	Note	RM'000	RM'000	RM'000
At 1 January		416	1,264	1,178
Effects of adoption of MFRS 9		777	-	-
As at 1 January (restated)		1,193	1,264	1,178
Charged to statement of profit or loss	2.6	432	293	530
Reversed from statement of profit or loss	2.6	(357)	(16)	-
Amount written off		(4)	(363)	(373)
Currency translation differences		-	-	3
		1,264	1,178	1,338

Deposits, cash and bank balances

For deposits, cash and bank balances and short-term investments, the Group seek to ensure that cash assets are invested safely and profitably by assessing counterparty risks and allocating placement limits for various creditworthy financial institutions. The Group considers the risk of material loss in the event of non-performance by the above parties to be unlikely. The Group's maximum exposure to credit risk is equal to the carrying value of those financial instruments.

Other receivables and deposits

Other receivables and deposits are considered to have low risk of defaults and historically there were minimal instances where contractual cash flow obligations have not been met. The identified impairment loss was immaterial.

(d) Capital risk management

The Group's primary objective of capital risk management is to maintain an optimal capital base to support the businesses and maximise shareholders value. The Directors monitor the debt levels to maintain an optimum debt-to-equity ratio that complies with the debt covenants. The Group manages the capital structure and makes adjustment to it, in light of changes in economic condition including the interest rate movements. To maintain and adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk management (continued)

During the financial years ended 31 December 2018 and 31 December 2019, the Group had entered into a loan facilities agreement as disclosed in Note 2.21 to the financial statements. The Group's capital structure consists of cash and cash equivalents, borrowings and total equity as shown in the statement of financial position.

The external lenders of the Term loan facility of RM15 million, Accordion of RM38 million and Revolving Credit require the Group to maintain financial covenant ratios on its Debt Service Coverage Ratio ("DSCR") and Adjusted Debt to Adjusted EBITDA. These financial covenant ratios have been fully complied with by the Group for the financial year ended 31 December 2018 and 31 December 2019.

During the financial year ended 31 December 2020, the Group had entered into borrowing facilities agreements as disclosed in Note 2.21 and Note 2.27(b) to the financial statements. The external lenders of the Term loan facility of USD22.1 million and RM45.6 million require the Group to maintain financial covenant ratios on its DSCR, EBITDA and maintain a positive Tangible Net Worth at all times. The Group has maintained a positive Tangible Net Worth for the financial year ended 31 December 2020. The compliance with the financial covenant ratios is only required for the financial year ending 31 December 2021 as stipulated in the loan facilities agreement.

The Group's net debt-to-equity ratio as of the reporting date is as follows:

				As at
	Note	31.12.2018	31.12.2019	31.12.2020
		RM'000	RM'000	RM'000
Total borrowings	2.21	11,535	27,628	132,320
Cash and cash equivalents (excluding restricted cash)	2.18	(10,216)	(5,489)	(24,936)
Net debt		1,319	22,139	107,384
Total equity		60,034	78,948	115,728
Net debt-to-equity ratio (times)		0.02	0.28	0.93

There were no changes in the Group's approach to capital management during the financial year. Other than the securities on borrowings as disclosed in Note 2.21, the Group is not subject to any other externally imposed capital requirements.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Offsetting financial assets and financial liabilities

(i) Financial assets

The following financial assets are subject to offsetting.

	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set-off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000
Group			
At 31 December 2018			
Amount due from related parties	92	(90)	2

There is no offsetting arrangement in 2019 and 2020.

(ii) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar arrangements.

	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set-off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000
Group			
At 31 December 2018			
Amount due to related parties	(90)	90	-

There is no offsetting arrangement in 2019 and 2020.

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2.27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value estimation

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The carrying amounts of financial assets and liabilities of the Group at the reporting date approximated their fair values.

2.28 RELATED PARTIES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant transactions, balances and commitments. The related party transactions described below were carried out on agreed terms with the related parties.

Creador Sdn. Bhd., being an entity connected to CTOS Digital's directors, provided certain support services to CDS pursuant to an expense reimbursement agreement dated 1 August 2014. The expense reimbursement agreement was mutually terminated in 2020.

Credisense Limited ("Credisense"), being an entity connected to the immediate holding company, Inodes, is principally engaged in software development. Credisense has been providing services to CDS pursuant to a master software license and service agreement dated 8 June 2018 comprising software, consultancy, training, maintenance and support.

Outsource Network Contact Center and Back Office Services Inc. ("ONET") and Equicom Shared Services, Inc., being subsidiaries of a person connected to one of the Company's subsidiaries, CIBI, provide outsourcing services such as contact center, human capital management and accounting services to CIBI.

Significant related party transactions

	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2020 RM'000
Group			
Professional fees			
- Creador Sdn. Bhd.	2,043	-	-
- Credisense	350	920	1,096
Outsourcing services			
- ONET	-	-	29
- Equicom Shared Services, Inc	-	-	5

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2.28 RELATED PARTIES (CONTINUED)

Inodes, the immediate holding company of the Company will bear certain listing expenses mainly arising from the Offer for Sale shares in connection with the IPO exercise proposed to be undertaken by the Company during the financial year ended 31 December 2020. The total listing expenses incurred by Inodes for the financial year ended 31 December 2020 approximates RM3.1 million.

Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director of that entity (both executive and non-executive).

The aggregate amount of emoluments received/receivable by key management personnel including Directors of the Company during the financial year is as follows:

	Financial years ended		
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Salaries and other short-term employee benefits	4,350	4,552	4,848
Fees	366	376	689
Defined contribution plan	179	288	343
Share-based payments	657	1,362	2,724
	5,552	6,578	8,604

2.29 DIVIDENDS

	Single-tier tax-exempt dividend per share	Amount of dividends, single-tier tax-exempt
	sen	RM'000
31.12.2018		
Dividends paid in respect of the financial year ended 31 December 2018:		
- first interim ordinary, paid on 21 August 2018	15	15,000
- first interim ordinary, paid on 2 November 2018	5	5,000
- second interim ordinary, paid on 2 November 2018	9	8,988
- third interim ordinary, paid on 20 December 2018	6	5,979
	35	34,967
31.12.2019		
Dividends paid in respect of the financial year ended 31 December 2018:		
- fourth interim ordinary, paid on 28 February 2019	7	7,346
Dividends paid in respect of the financial year ended 31 December 2019:		
- first interim ordinary, paid on 28 March 2019	6	6,000
- second interim ordinary, paid on 29 April 2019	2	2,000
- third interim ordinary, paid on 30 May 2019	6	6,378
	21	21,724

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.29 DIVIDENDS (CONTINUED)

	Single-tier tax-exempt dividend per share	Amount of dividends, single-tier tax-exempt
	sen	RM'000
31.12.2020		
Dividends paid in respect of the financial year ended 31 December 2019		
- fourth interim ordinary, paid on 12 May 2020	8	8,000
Dividends paid in respect of the financial year ended 31 December 2020		
- first interim ordinary, paid on 13 August 2020	2.5	2,500
	10.5	10,500

On 20 January 2021, the Company declared a single-tier tax-exempt interim dividend of 5.25 sen per ordinary share amounting to RM5.25 million in respect of the financial year ended 31 December 2020 which was paid on 21 January 2021.

On 31 March 2021, the Company declared a single-tier tax-exempt interim dividend of 17.0 sen per ordinary share amounting to RM17 million for the financial year ended 31 December 2020. The dividend will be paid in two tranches of which RM9 million was paid on 5 April 2021 and RM8 million will be paid in June 2021.

The financial statements for the financial year ended 31 December 2020 do not reflect these dividends as it was declared subsequent to year end. These dividends will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2021.

2.30 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Significant capital expenditure contracted for at the end of reporting date but not recognised as liabilities is as follows:

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Contracted:			
- Property, plant and equipment	1,514	688	356
- Intangible assets	-	-	2,253
- Investment in subsidiary	-	-	42,280
	1,514	688	44,889

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2.30 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(b) Contingent liabilities

(i) In the normal course of business, there are contingent liabilities arising from legal recourse sought on the Group's credit reporting operations. There were no material losses anticipated as a result of these transactions.

In January 2020, CDS was served a legal notice on the basis of an alleged negligence in reporting credit information. The Directors and the Group's legal counsel are of the view that the Group has a fair chance in successfully defending the case based on past precedents and no provision is required in the financial statements as at 31 December 2020. Furthermore, CDS's obligation from this claim, if any, is unable to be measured reliably as at 31 December 2020.

(ii) In February 2020, CDS was served a legal notice for defamation due to an alleged misreporting of trade reference in respect of a company in which the Plaintiff is a director. The case was struck out on the basis that the Plaintiff has no cause of action since the information concerned only the company and not the Plaintiff personally. Subsequently, the Plaintiff filed a Notice of Appeal at the Court of Appeal. Should the Plaintiff's Appeal be approved, the case has to go to trial before any quantum of damages can be determined. The Directors and the Group's legal counsel are of the view that if the appeal is granted, the Group has a fair chance in successfully defending the case based on past precedents and no provision is required in the financial statements as at 31 December 2020. Furthermore, CDS's obligation from this claim, if any, is unable to be measured reliably as at 31 December 2020.

2.31 OPERATING LEASE COMMITMENTS

Generally, the Group leases certain offices and customer service centres under operating leases. All operating leases contain renewal options with market review clauses. The Group does not have the option to purchase the leased assets at the expiry of the lease period.

The future minimum lease payments under non-cancellable operating leases are as follows:

	As at 31.12.2018 RM'000
No later than one year	1,880
Later than one year but no later than five years	3,127
	5,007

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2.32 SHARE-BASED PAYMENT

Pursuant to the ESOS implemented on 1 January 2015, the Company offered options over ordinary shares in the issued capital of the Company to the eligible executives. It is in force for a maximum period of seven (7) years.

The salient features of the ESOS are as follows:

(i) Eligible executives are persons as defined by the ESOS pursuant to Bye-Laws.

(ii) The allocation of shares to be made available for option offers shall be determined by the Board at any time and from time to time.

(iii) At any point of time during the existence of the ESOS, the number of shares comprised in exercised options, unexercised options and unexpired option offers pending acceptance by the eligible executives shall not exceed an amount equivalent to 5% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time.

(iv) An earned option may be exercised during the period of thirty (30) days, commencing from the date of a Trigger Event, which is defined as whichever of the following that shall first occur:

- Final approval for an initial public offering of the shares of the Company having been obtained;
- All conditions to the sale of a majority interest in the Company to any party having been fulfilled;
- Last day of the ESOS period or the date of earlier termination of the ESOS by the Company.

As at 31 December 2018 and 31 December 2019, the Group had yet to commence any formal plans for an IPO and neither had the Group been in serious negotiations for sale of majority interest in the Company. Therefore, the Group had assessed that the most likely Trigger Event is the expiration of the ESOS on 1 January 2022.

(v) The exercise of the options under the ESOS may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; payment to the option holder to the differential sum; or a combination of both new shares and differential sum.

During the financial year ended 31 December 2020, 907,500 (2019: 1,060,000; 2018: 1,150,000) options have been granted under the ESOS with no (2019: 460,000; 2018: 590,000) options remaining outstanding. The options granted are subject to terms and conditions contained in the option certificate.

During the financial year ended 31 December 2020, the Group had cancelled all outstanding ESOS and recognised RM3,284,000 of share-based payment expenses immediately in the statement of comprehensive income. The ESOS granted in the financial year ended 31 December 2020 was cancelled by forfeiture as the vesting conditions were not met and no share-based payment expense was recognised. As part of the cancellation, the Group will pay RM0.1 million to the eligible executives which was accounted for as a repurchase of equity interest and deducted from the share-based payment reserved accordingly. The amount payable to eligible executives of RM0.1 million has been recognised within other payables as at 31 December 2020.

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2.32 SHARE-BASED PAYMENT (CONTINUED)

The movement in the total number of share grants during the financial periods is as follows:

	Number of options over ordinary shares in the Company				
Grant date	Outstanding as at 1 January '000	Granted '000	Forfeited '000	Cancelled '000	Outstanding as at 31 December '000
2018					
1 January 2015	5	-	-	-	5
1 January 2016	2	-	-	-	2
1 January 2017	395	-	-	-	395
1 January 2018	-	1,150	(560)	-	590
	402	1,150	(560)	-	992
2019					
1 January 2015	5	-	-	-	5
1 January 2016	2	-	-	-	2
1 January 2017	395	-	-	-	395
1 January 2018	590	-	-	-	590
1 January 2019	-	1,060	(600)	-	460
	992	1,060	(600)	-	1,452
2020					
1 January 2015	5	-	-	(5)	-
1 January 2016	2	-	-	(2)	-
1 January 2017	395	-	-	(395)	-
1 January 2018	590	-	-	(590)	-
1 January 2019	460	-	-	(460)	-
1 January 2020	-	908	(908)	-	-
	1,452	908	(908)	(1,452)	-

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2.32 SHARE-BASED PAYMENT (CONTINUED)

The fair value of the share awards is estimated using Black Scholes Simulation Model with the following inputs:

	As at	
	31.12.2018	31.12.2019
Fair value at grant date	RM3.47	RM5.96
Share price at grant date	RM6.89	RM9.37
Exercise price of the options	RM3.06	RM3.06
Remaining life of the scheme	3 years	2 years
Vesting date	1 January 2022	1 January 2022
Expected volatility*	25%	25%
Expected dividend yield	3.19%	2.50%
Risk free interest rate**	3.73%	3.73%

* Expected volatility is based on comparable companies' historical volatility
** Risk free interest rate is based on Malaysian Government Securities yield

2.33 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial year adjusted for the subdivision of the Company's existing 100,000,000 shares in issue to 2,000,000,000 shares which was completed on 10 June 2021 as disclosed in Note 2.38(f)(ii).

	Financial years ended		
	31.12.2018	31.12.2019	31.12.2020
Profit attributable to the owners of the Company (RM'000)	29,656	39,009	39,187
Weighted average number of ordinary shares after subdivision of shares ('000)	2,000,000	2,000,000	2,000,000
Basic earnings per ordinary share (sen)	1.5	2.0	2.0

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2.33 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Financial years ended		
	31.12.2018	31.12.2019	31.12.2020
Profit attributable to the owners of the Company (RM'000)	29,656	39,009	39,187
Weighted average number of ordinary shares after subdivision of shares ('000)	2,000,000	2,000,000	2,000,000
Adjusted for ESOS ('000)	232	516	1,078
	2,000,232	2,000,516	2,001,078
Diluted earnings per ordinary share (sen)	1.5	1.9	2.0

2.34 OPERATING SEGMENT

The Group is primarily engaged in the business of providing credit reporting services. Management has determined the operating segments to be based on the management reports reviewed by the chief operating decision makers that are used to make strategic decisions, for which discrete financial information is available. For management purposes, the Group is organised into two reportable segments based on their geographical locations. The reportable segments are summarised as follows:

(i) Malaysia which comprise the provision of credit reporting services (sale of reports, monitoring and trade referencing services and other services), sale of software licenses and provision of installation and maintenance services to 3 types of customers, namely Key Accounts, Commercial and Direct-to-Consumer; and

(ii) International which comprise the provision of credit reporting services (sale of reports) in the Philippines.

The performance of the operating segments is measured based on segment profit calculated as profit for the relevant financial year plus tax expense, finance costs, depreciation and amortisation, share-based payment expense and foreign exchange losses less interest income, foreign exchange gains and share of profits of associates.

The share of results of associate represent the business of a service provider, developer of local and global financial information system and as an online and offline business information service provider as well as consulting service and database management in Thailand and business of a credit reporting, credit bureau and information services in Malaysia.

The CODM also reviews the revenue of the Malaysia and International segments by type of customers as disclosed in Note 2.4.

All assets are managed based on their geographical locations.

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets and intangible assets.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.34 OPERATING SEGMENT (CONTINUED)

Business segments

	31.12.2018	31.12.2019	31.12.2020		
	RM'000	RM'000			RM'000
	Malaysia	Malaysia	Malaysia	International	Total
Revenue	110,465	129,141	133,225	7,271	140,496
Gross profit	92,939	107,542	115,716	5,724	121,440
Segment profit	35,821	49,421	52,152	(1,800)	50,352
Depreciation and amortisation	(3,363)	(6,321)	(6,877)	(602)	(7,479)
Finance costs	(122)	(1,211)	(4,197)	(37)	(4,234)
Interest income	195	241	218	26	244
Share-based payment expense	(720)	(1,650)	(3,284)	-	(3,284)
Share of profits of associates	-	761	1,345	440	1,785
Realised and unrealised (losses)/gains on foreign exchange - net	(20)	5	2,999	(51)	2,948
Profit before taxation	31,791	41,246	42,356	(2,024)	40,332
Tax expense	(2,135)	(2,237)	(2,274)	(81)	(2,355)
Profit for the financial year	29,656	39,009	40,082	(2,105)	37,977
Assets	88,615	142,189	159,165	116,819	275,984
Other disclosures					
Non-cash item* (other than depreciation and amortisation)	76	279	(2,582)	(5)	(2,587)
Capital expenditure arising from:					
- Acquisition of a subsidiary	-	-	-	10,497	10,497
- Property, plant and equipment, ROU assets and intangible assets additions	10,142	4,335	6,781	1,457	8,238

* Included in non-cash items are allowance for impairment of receivables and deposits - net, bad debts written off and recovered, defined benefit plan expenses and unrealised (gain)/loss on foreign exchange.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.34 OPERATING SEGMENT (CONTINUED)

Geographical segments

Non-current assets

Non-current assets are determined according to the country of the operating segment. Non-current assets exclude financial instruments and deferred tax assets.

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Malaysia	55,445	114,501	115,563
Philippines	-	-	12,052
Thailand	-	-	92,679
	55,445	114,501	220,294

Borrowings and lease liabilities

			As at
	31.12.2018	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000
Malaysia	11,535	30,509	133,682
Philippines	-	-	889
	11,535	30,509	134,571

Information about a major customer

There is no single customer that contributed 10% or more of the Group's revenue throughout the reported financial years.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 CHANGES IN ACCOUNTING POLICIES

(a) Applied from 1 January 2019

This note explains the impact of the adoption of MFRS 16 'Leases' on the financial statements.

The Group has applied MFRS 16 with the date of initial application ("DIA") of 1 January 2019 by applying the simplified retrospective transition method.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 'Leases'.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

(i) Practical expedients applied

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the DIA; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(ii) Measurement of lease liabilities

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.995% per annum.

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

	Group RM'000
Operating lease commitments disclosed as at 31 December 2018	5,007
Discounting impact using the incremental borrowing rate as at date of initial application	(389)
Short term leases recognised on a straight-line basis as expense	(157)
Low value leases recognised on a straight-line basis as expense	(137)
Lease liabilities recognised as at 1 January 2019	4,324

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Applied from 1 January 2019 (continued)

(ii) Measurement of lease liabilities (continued)

Of which are:

	1 January 2019
	RM'000
Current lease liabilities	1,443
Non-current lease liabilities	2,881
	4,324

(iii) Measurement of right-of-use assets

The associated ROU assets for property leases were measured on a retrospective basis as if the new requirements have always been applied.

(iv) Adjustments recognised in the statement of financial position

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- ROU assets – increase by RM4,303,136
- Lease liabilities – increase by RM4,324,008

The net impact on retained earnings on 1 January 2019 was a decrease of RM20,872.

(b) Applied from 1 January 2018

This note explains the impact of the adoption of MFRS 9 'Financial Instruments' and MFRS 15 'Revenue from Contracts with Customers' on the Group's financial statements.

(i) Adoption of MFRS 9 'Financial Instruments'

MFRS 9 replaces MFRS 139 'Financial Instruments: Recognition and Measurement'. The adoption of MFRS 9 from 1 January 2018 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. The new accounting policies are set out in Note 2.2(e).

As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and thus adjustments arising from the adoption of MFRS 9 were recognised in the opening statement of financial position as at 1 January 2018.

Classification and measurement of financial instruments

On 1 January 2018 (the date of initial application of MFRS 9), the Directors have assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate MFRS 9 categories.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Applied from 1 January 2018 (continued)

(i) Adoption of MFRS 9 'Financial Instruments' (continued)

The financial instruments of the Group on 1 January 2018 were as follows:

	Measurement category		Carrying amount	
	Original (MFRS 139)	New (MFRS 9)	Original (RM)	New (RM)
Financial assets				
Receivables and deposits	Amortised cost	Amortised cost	14,325	13,548
Deposits, cash and bank balances	Amortised cost	Amortised cost	6,432	6,432
Amount due from related parties	Amortised cost	Amortised cost	2	2
Financial liabilities				
Payables	Amortised cost	Amortised cost	10,387	10,387

Impairment of financial assets

MFRS 9 introduces an ECL model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group applies the MFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. This has resulted in an increase in the Group's allowance for impairment by RM776,729 as at 1 January 2018.

(ii) Adoption of MFRS 15 'Revenue from Contracts with Customers'

The Group has adopted MFRS 15 on 1 January 2018. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods and services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. MFRS 15 has resulted in changes in accounting policies recognised in the financial statements. The new accounting policies are set out in Notes 2.2(o).

In accordance with the transitional provisions in MFRS 15, the Group has elected to adopt the modified retrospective approach, where the restatement of the comparative period is not required.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Applied from 1 January 2018 (continued)

(ii) Adoption of MFRS 15 'Revenue from Contracts with Customers' (continued)

In applying MFRS 15 retrospectively, the Group has applied the following practical expedients:

- The Group recognises contract cost incurred related to contracts with an amortisation period of less than one year as an expense when incurred.

Impact on the financial statements

The following table shows the adjustment to opening balance of contract assets and contract liabilities as disclosed in Note 2.4 of the Group as a result of the adoption of MFRS 15.

	Effects of MFRS 15 RM'000
Current assets	
Receivables, deposits and prepayments	(12)
Contract assets	12
	-
Current liabilities	
Payables	(276)
Contract liabilities	276
	-
Net current assets	-
Total equity	-

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.36 BUSINESS COMBINATION

Acquisition of subsidiary

On 19 June 2020, the Company, through its newly incorporated subsidiary, CIBI Holdings completed the acquisition of CIBI via purchase of 110,680 shares of CIBI from existing shareholders and subscribing to an additional 398,612 shares in the share capital of CIBI for a total cash consideration of PHP174,857,070.91 (equivalent to RM14,956,803). Upon completion of the acquisition, the Group holds 51% equity interest in CIBI and CIBI became a subsidiary of the Group.

Details of the net assets acquired, goodwill and cash flows as of 19 June 2020 arising from business combination are as follows:

	Book value RM'000	Fair value RM'000
Property, plant and equipment	365	365
Intangible assets	628	1,629
Trade receivables	5,146	5,146
Other receivables and prepayments	2,121	2,121
Right-of-use assets	243	243
Deferred tax assets	1,165	865
Tax recoverable	50	50
Cash and cash equivalents	9,584	9,584
Payables and accruals	(2,282)	(2,282)
Customer deposits	(1,564)	(1,564)
Contract liabilities	(249)	(249)
Provision for defined benefit plan	(126)	(126)
Lease liabilities	(276)	(276)
Borrowings	(2,376)	(2,376)
Net identifiable assets acquired	12,429	13,130
Non-controlling interest		(6,434)
Goodwill arising on acquisition		8,260
Cash consideration		14,956
Less: cash and cash equivalents of subsidiary acquired		(9,584)
Net cash outflow of the Group on acquisition of subsidiary		5,372

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.36 BUSINESS COMBINATION (CONTINUED)

Acquisition of subsidiary (continued)

The goodwill recognised on the acquisition is mainly attributable to the growth expected of the acquired business arising from the established market reputation, relationships with its customers and track record of compliance with regulatory requirements. It will not be deductible for tax purposes.

The fair value of acquired trade receivables is RM5.1 million. The gross contractual amount for trade receivables due is RM6.8 million, with a loss allowance of RM1.7 million recognised on acquisition.

For the non-controlling interest in CIBI, the Group elected to recognise the non-controlling interest at its proportionate share of the acquired net identifiable assets. See note 2.2(a)(i) for the Group's accounting policies for business combinations.

In relation to the acquisition, the Group has recognised non-recurring acquisition related costs of RM0.1 million, which was expensed and included within administrative expenses in the profit or loss.

The revenue and net loss of CIBI included in the consolidated statements of comprehensive income for the period from the date of acquisition to 31 December 2020 amounted to RM7.3 million and RM2.5 million, respectively.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and profit for the financial year ended 31 December 2020 would have been RM147.5 million and RM36.8 million respectively.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.37 NON-CONTROLLING INTERESTS

The financial information (before intercompany eliminations) of CIBI that has material non-controlling interest ("NCI") to the Group is as follows:

(i) Summarised statement of financial position as at 31 December 2020

	As at 31.12.2020 RM'000
NCI percentage	49%
Non-current assets	4,755
Current assets	11,153
Non-current liabilities	(796)
Current liabilities	(4,976)
Net assets	10,136
Net assets attributable to NCI	4,967

(ii) Summarised statement of comprehensive income from the date of acquisition to 31 December 2020

	19.6.2020-31.12.2020 RM'000
Revenue	7,271
Loss for the financial period	(2,470)
Other comprehensive loss	(524)
Total comprehensive loss	(2,994)
Loss allocated to NCI	(1,467)

(iii) Summarised statement of cash flows from the date of acquisition to 31 December 2020

	19.6.2020-31.12.2020 RM'000
Cash flows from operating activities	(563)
Cash flows from investing activities	(652)
Cash flows from financing activities	(2,579)
Effects of exchange rate changes	(190)
Net decrease in cash and cash equivalents	(3,984)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.38 SUBSEQUENT EVENTS

(a) On 8 December 2020, the Company entered into a Sale and Purchase Agreement ("SPA") to acquire the entire equity interest in Basis Corporation Sdn. Bhd. ("Basis"), Malaysia's first Credit Reporting Agency comprising 1,000,000 ordinary shares for an upfront purchase consideration of RM32,000,000 and an earn-out payment that is computed based on the revenue target of Basis. The earn-out payment is computed based on two times the total revenue of Basis for the financial year ended 30 June 2020, adjusted in proportion to the achievement of the revenue target for the period of January 2021 to December 2022. As stated in the SPA, for an estimated revenue target of RM14.0 million ("Revenue Target"), the earn-out payment will be RM8.0 million. The earn-out payment will be adjusted accordingly based on the actual Revenue Target achieved and is not capped. The earn-out payment will be accounted for as a contingent consideration and is payable no later than 30 March 2023. The acquisition was completed on 4 January 2021.

The Group has estimated a contingent consideration of RM9.4 million, by applying a discount rate of 3.8% and assumed a probability-adjusted revenue of Basis of between RM15.7 million and RM18.5 million for the next 2 years.

The acquisition of Basis expands the Group's range of reports to include international business reports and provides the Group with a complementary base of international customers in industries such as insurance, services and credit reporting who are located primarily in Asia Pacific and Europe. A purchase price allocation has been performed on Basis' assets and liabilities which mainly comprises cash, receivables and payables balances, database and customer relationships and deferred tax liability resulting in a goodwill of RM36.7 million.

(b) The Company has entered into a RM32 million loan facility agreement on 21 December 2020. The Company has drawn down RM28.7 million and RM3.3 million of the term loan on 4 January 2021 and 18 February 2021 respectively to fund the acquisition of Basis. The term loan is repayable on a quarterly basis commencing on 5 April 2021 with final maturity on 3 December 2025. Upon the occurrence of certain mandatory prepayment events which includes a change in equity interests of the holding companies in the Company or an IPO, the lenders have the right to cancel the term loan facilities and the total outstanding borrowings have to be fully repaid. In the event of an IPO, the proceeds derived from the IPO shall be utilised to repay the total outstanding borrowings.

(c) On 20 January 2021, the Company declared a single-tier tax-exempt interim dividend of 5.25 sen per ordinary share amounting to RM5.25 million in respect of the financial year ended 31 December 2020 which was paid on 21 January 2021.

On 31 March 2021, the Company declared a single-tier tax-exempt interim dividend of 17.0 sen per ordinary share amounting to RM17 million for the financial year ended 31 December 2020. The dividend will be paid in two tranches of which RM9 million was paid on 5 April 2021 and RM8 million will be paid in June 2021.

The financial statements for the financial year ended 31 December 2020 do not reflect these dividends as it was declared subsequent to year end. These dividends will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2021.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.38 SUBSEQUENT EVENTS (CONTINUED)

(d) On 11 February 2021, CIBI had entered into a Deed of Assignment to dispose of its entire 20% equity interest in CCSP for a total consideration of PHP8,333 equivalent to RM702. The Group's investment in CCSP was fully impaired as at 31 December 2020. The gain on completion of the disposal is insignificant.

(e) On 26 March 2021, the Company was converted to a public limited company and assumed the name of CTOS Digital Berhad.

(f) The Company's Board of Directors had on 23 April 2021 approved the following:

(i) Proposed distribution amounting to RM15.1 million by way of dividend-in-specie of 4,900,001 ordinary shares in CIBI Holdings held by the Company, representing the entire equity interest in CIBI Holdings to the existing shareholders of the Company ("Proposed Distribution"). The approval and consent from the Company's lender had been obtained for the Proposed Distribution in accordance with the terms of the relevant facilities agreements.

CIBI Holdings, a wholly owned subsidiary of the Company, holds a 51% equity interest in CIBI, a credit bureau incorporated in the Philippines. Upon completion of the Proposed Distribution, CIBI Holdings and CIBI will cease to be subsidiaries of the Company. The Proposed Distribution was completed on 15 June 2021.

The financial impact of the Proposed Distribution is being assessed by the Company. All the assets and liabilities of CIBI Holdings and CIBI will be derecognised and distributed to the owners of the Company based on their carrying values with the corresponding charge to retained earnings on the completion date.

(ii) Proposal for the Company to undertake a subdivision of the existing 100,000,000 shares in issue to 2,000,000,000 shares ("Proposed Subdivision"). After the Proposed Subdivision, the Company proposes to undertake an IPO of up to 1,100,000,000 shares, comprising an offer for sale of up to 900,000,000 existing shares and a public issue of 200,000,000 new shares, in conjunction with the listing of and quotation for the entire enlarged issued shares on the Main Market of Bursa Malaysia Securities Berhad. The Company had initiated the preparation to undertake an IPO as disclosed in Note 2.21. The Proposed Subdivision was completed on 10 June 2021.

2.39 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 15 June 2021.

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STATEMENT BY DIRECTORS

We, Tan Sri Izzuddin bin Dali and Datuk Azizan bin Haji Abdul Rahman, two of the Directors of CTOS Digital Berhad, formerly known as CTOS Holdings Sdn. Bhd. (the "Company"), state that, in the opinion of the Directors, the consolidated financial statements set out on pages 1 to 114 are drawn up so as to give a true and fair view of the financial position of the Company and its subsidiaries (the "Group") as at 31 December 2018, 31 December 2019 and 31 December 2020 and of their financial performance and cash flows for each of the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 15 JUN 2021

TAN SRI IZZUDDIN BIN DALI DIRECTOR	DATUK AZIZAN BIN HAJI ABDUL RAHMAN DIRECTOR

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14. ADDITIONAL INFORMATION

14.1 SHARE CAPITAL

(i) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than six months after the date of issue of this Prospectus.

(ii) As at the LPD, we have only one class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.

(iii) Save as disclosed in Sections 4.2.1 and 6.1.2 of this Prospectus, our Company has not issued or proposed to issue any shares, stocks or debentures as fully or partly paid-up in cash or otherwise, within the two years immediately preceding the date of this Prospectus.

(iv) As at the date of this Prospectus, save for our Issue Shares reserved for subscription by the Eligible Persons as disclosed in Section 4.2.3 of this Prospectus, there is currently no other scheme involving our employees and directors in the share capital of our Company or any of our subsidiaries.

(v) We have not agreed, conditionally or unconditionally, to put the share capital of our Company or any of our subsidiaries under option.

(vi) As at the date of this Prospectus, neither we nor our subsidiaries have any outstanding warrants, options, convertible securities or uncalled capital.

(vii) Save as disclosed in Sections 2.2 and 12.5 of this Prospectus, and save as provided for under our Constitution as reproduced in Section 14.2 below and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares or the interests in any of our Company or our subsidiaries or upon the declaration or payment of any dividend or distribution thereon.

14.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are reproduced from our Constitution and are qualified in its entirety by reference to our Constitution and by applicable law. The words, terms and expressions appearing in the following provisions will bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

Words	Meaning
“Act”	Means the Companies Act 2016, as amended, substituted or re-enacted from time to time.
“Board” or “Board of Directors”	Means the board of directors for the time being of the Company.
“Board Meeting”	Means a meeting of the Directors of the Company.
“Bursa Securities”	Means Bursa Malaysia Securities Berhad.
“Company”	Means CTOS Digital Berhad.
“Constitution”	The constitution of the Company as constituted by this document, or as altered from time to time by a special resolution.
"Deposited Security"	Means a security standing to the credit of a Securities Account and includes a security in a Securities Account that is in suspense.

Words	Meaning
"Depository"	Means Bursa Malaysia Depository Sdn Bhd.
"Directors"	Means the directors for the time being of the Company (inclusive of alternate or nominee directors).
"General Meeting"	Means a meeting of Members of the Company.
"Listing Requirements"	Means Main Market Listing Requirements of Bursa Securities, including any amendment that may be made from time to time.
"Members"	Means: (a) a person whose name is entered in the Register of Members as the holder for the time being of one or more shares in the Company; and/or (b) a Depositor whose name appears in the Record of Depositors as the holder for the time being of one or more shares in the Company. Shares include ordinary shares, preference shares or other type of shares that may be issued and allotted by the Company from time to time.
"Record of Depositors"	Means a record provided by the Depository to the Company under Chapter 24.0 of the Rules.
"Register of Members"	Means the record of members of the Company kept and maintained pursuant to Section 50 of the Act.
"Rules"	Means the Rules of Depository, including any amendment that may be made from time to time.
"Security" or "Securities"	Has the meaning given in Section 2(1) of the Capital Markets and Services Act 2007.
"Securities Account"	Means an account established by the Depository for a Depositor for the recording of deposit of Securities and for dealing in such Securities by the Depositor.
"Shareholder"	Means a holder of one or more share(s) in the Company.

14.2.1 Transfer of Shares

Clause 14 - Transfer of Securities

"The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities."

Clause 19(3) - Renunciation

"The Directors may at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder recognise a renunciation of such share by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation on such terms and conditions as the Directors may determine."

Clause 20 - Closing the Register of Members or Register of Debenture Holders

"Subject to the Rules, the Record of Depositors, Register of Members or register for any class of members or register of debenture holders may be closed for such periods as the Directors may from time to time determine provided that such register shall not be closed for more than thirty (30) days in any year. The Company shall before it closes such register:

(1) Give notice of such intended book closure (in the case of the Register) in accordance with Section 55 of the Act; and

(2) Give notice of such intended closure to Bursa Securities for such period as prescribed by Bursa Securities or any relevant governing laws and/or guidelines before the intended date of such closure including such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration.

The Company shall give notice in accordance with the Rules to enable the Depository to prepare the appropriate Record of Depositors."

14.2.2 Remuneration of Directors

Clause 93(1), (2), (3) and (5) – Remuneration of Directors

"(1) The Company may from time to time by an ordinary resolution passed at a General Meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.

(2) Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual Shareholders' approval at a General Meeting.

(3) If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.

(5) Executive Directors of the Company shall be remunerated in the manner referred to in Clause 84 but such remuneration shall not include a commission on or percentage of turnover."

Clause 93(4) – Expenses

"(4) The following expenses shall be determined by the Directors:

(a) Traveling, hotel and other expenses properly incurred by the Directors in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company; and

(b) Other expenses properly incurred by the Directors arising from the requirements imposed by the authorities to enable the Directors to effectively discharge their duties."

14.2.3 Voting and Borrowing power of Directors

Clause 95 – Borrowing, mortgage, issue debentures and lending or advance of money

"Without limiting the generality of Clause 94(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:

(1) borrow money, raise funds and/or accept credit facilities;

(2) mortgage or charge its undertaking, property (both present and future), and uncalled capital, or any part of such undertaking, property and uncalled capital;

(3) issue debentures and other Securities whether outright or as security; and/or

(4) (a) lend and advance money or give credit to any person or company;

(b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;

(c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company."

Clause 105 – Directors' Interest in Contracts

"(a) A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.

(b) Every Director shall observe the provisions of Sections 221 and 222 of the Act relating to the disclosure of the interest of the Directors in contracts or proposed contracts with the Company or of any office or property held by the Directors which might create duties or interest in conflict with their duties or interest as Directors and participation in discussion and voting. Such disclosure of material personal interest by the Directors shall be in the form of a notice. Such notice shall be in the form and manner prescribed under Section 221 of the Act."

Clause 118 – Voting at Board Meetings

"(1) Subject to this Constitution, questions arising at a Board Meeting shall be decided by a majority of votes of Directors present and voting and any such decision shall for all purposes be deemed a decision of the Directors.

(2) Each Director is entitled to cast one (1) vote on each matter for determination."

Clause 119 – Casting Vote

"In the case of an equality of votes, the chairperson of the Board Meeting is entitled to a second or casting vote, except where two (2) Directors form a quorum, the chairperson of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue shall not have a casting vote."

14.2.4 Changes in capital and rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

Clause 8(1) and (3) – Variation of Rights

"(1) If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:

(a) with the consent in writing of the holders holding not less than seventy-five percent (75.0%) of the total voting rights of the holders of that class of shares; or

(b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation."

"(3) The rights attached to an existing class of preference shares shall be deemed to be varied by the issue of new preference shares that rank equally with the existing class of preference shares unless such issuance was authorised by:

(a) the terms of the issue of the existing preference shares; or

(b) this Constitution as in force at the time when the existing preference shares were issued."

Clause 12(1) and (2) – Issue of Securities

"(1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:

(a) issue and allot shares in the Company; and

(b) grant rights to subscribe for shares or options over unissued shares in the Company."

"(2) Subject to the Act, the Listing Requirements, this Constitution and the relevant Shareholders' approval being obtained, the Directors may issue any shares (including rights or options over subscription of such shares):

(a) with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine;

(b) to any person, whether a Member or not, in such numbers or proportions as the Directors may determine; and

(c) for such consideration as the Directors may determine."

Clause 46(1), (2) and (3) – Alteration of Capital

"(1) The Company may from time to time by ordinary resolution and subject to other applicable laws or requirements:

(a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or

(b) subdivide its shares or any of them into shares, whichever is in the subdivision; the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived."

(2) The Company may from time to time by special resolution and subject to other applicable requirements:

(a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or

(b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.

(3) The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof."

14.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository ("**Depositor**") by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares will be deemed to be a shareholder of our Company and will be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

14.4 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

Subject to Section 14.3 above, there is no limitation on the right to own our Shares, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise voting rights on our Shares which is imposed by Malaysian law or by our Constitution.

14.5 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION

(i) Malaysia

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single-tier dividend are not taxable. Further, the Government does not levy withholding tax on dividend payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian resident companies. There is no Malaysian capital gains tax arising from the disposal of listed shares.

(ii) Thailand

Repatriation of capital out of Thailand are permitted for (a) repatriation of investment funds from BOL to our Company due to company dissolution and capital or share value reduction; and (b) remittance of dividends from BOL to our Company.

However, such permission for repatriation is subject to the following procedures:

(1) provision of identification particulars of the applicant applying for permission and purpose of the transaction;

(2) for a transaction value of not less than USD200,000, submission of evidence in relation to the purpose of payment is required, such as:

   (a) for repatriation of investment funds due to company dissolution, evidence of liquidation completion (e.g. a certifying letter issued by a liquidator);

   (b) for repatriation of investment funds due to capital or share value reduction, evidence of capital decrease or share value decrease (e.g. a company's affidavit issued by Ministry of Commerce and a copy of shareholder list); and

   (c) for remittance of dividends, evidence of dividend payment (e.g. a notice of dividend payment); and

(3) an authorised juristic person's satisfaction of true and correct supporting documents.

Withholding tax is generally applicable to payment made from a person in Thailand to a juristic person, registered under Malaysian laws and having no business operation in Thailand at the following rates:

(1) dividends – 10.0%

(2) decrease in capital not exceeding the total amount of profits and reserves – 15.0%; and

(3) benefit derived from the dissolution of a company with monetary value exceeding the capital – 15.0%.

However, BOL has been granted promotional privileges under the Thailand Investment Promotion Act B.E. 2520 (1997), as amended, by the Board of Investment of Thailand, and we are therefore exempted from withholding tax on dividends paid from the income derived from the promoted business operations for which BOL's corporate income tax is exempted. Such tax relief is valid from 9 October 2013 until 15 December 2022.

14.6 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contracts that are not in the ordinary course of our Group's business within the period covered by the historical financial information as disclosed in this Prospectus and up to the date of this Prospectus:

14.6.1 Share purchase agreement dated 12 July 2019 in respect of the acquisition of the entire issued share capital of CTOS Insights

On 12 July 2019, our Company entered into a share purchase agreement with Man Yau Holdings Berhad and Omesti Berhad (as guarantor) to acquire 3,000,000 ordinary shares in CTOS Insights, representing the entire issued share capital of CTOS Insights, for a total cash consideration of RM26,880,000.00. CTOS Insights is the legal and beneficial owner of 1,600,000 ordinary shares in Experian, representing a 16.0% equity interest in Experian. The share purchase agreement was completed on 25 July 2019.

14.6.2 Share purchase agreement dated 10 July 2019 in respect of the acquisition of the entire issued share capital of Enfo

On 10 July 2019, our Company entered into a share purchase agreement with Quek Jin Oon and Vendor A* to acquire 10,000 ordinary shares in Enfo, representing the entire issued share capital of Enfo, for a total cash consideration of RM29,300,000.00. Enfo is the legal and beneficial owner of 1,000,000 ordinary shares in Experian, representing a 10.0% equity interest in Experian. The share purchase agreement was completed on 25 July 2019.

Note:

* Prior to completion of the share purchase agreement, Vendor A was a shareholder who held only one ordinary share in Enfo, representing a 0.01% equity interest in Enfo.

14.6.3 Share purchase agreement dated 10 February 2020 in respect of the share purchase and share subscription of a 51.0% equity interest in CIBI ("CIBI SPA")

On 10 February 2020, our Company entered into a share purchase agreement with Go Kim Pah Foundation ("**GKP**"), CIBI Foundation, Inc. ("**CFI**") and CIBI to (a) acquire in aggregate 110,680 common shares in CIBI, of which 83,010 common shares are from GKP, for a cash consideration of PHP28,500,100.00 (equivalent to RM2,437,821.75*) and 27,670 common shares are from CFI for a cash consideration of PHP9,500,033.33 (equivalent to RM812,607.25*); and (b) subscribe for 398,612 common shares in CIBI from the unissued portion of the authorised capital stock of CIBI for the subscription price of PHP136,856,937.58 (equivalent to RM11,706,373.63*). The share purchase agreement was completed on 19 June 2020. See Sections 14.6.4 and 14.6.5 below for information regarding the shareholders' agreement and assignment agreement executed in relation to the CIBI SPA and Section 4.2.1 of this Prospectus for information regarding the Distribution where the entire equity interest in CIBI Holdings, which in turn holds a 51.0% equity interest in CIBI, was distributed to our existing shareholders on 15 June 2021.

Note:

* Computed based on SGD1:PHP35.92 and SGD1:RM3.0725, being the transacted rates quoted by the transacting bank on 19 June 2020.

14.6.4 Shareholders' agreement dated 10 February 2020 in respect of CIBI ("CIBI SHA")

On 10 February 2020, our Company entered into a shareholders' agreement with GKP, CFI and CIBI to regulate the relationship between the shareholders of CIBI. The rights and obligations of the parties as stipulated in the shareholders' agreement are in relation to, among others, the nomination and composition of the board of directors, the appointment of key management of CIBI, the quorum to shareholders' meetings and shareholders' rights to vote through remote communication and proxy, pre-emptive rights and restriction to dealings in shares applicable to the shareholders and non-compete clauses applicable during the term of the agreement. See Section 4.2.1 of this Prospectus for information regarding the Distribution where the entire equity interest in CIBI Holdings, which in turn holds a 51.0% equity interest in CIBI, was distributed to our existing shareholders on 15 June 2021.

14.6.5 Assignment agreement dated 19 June 2020 in respect of the assignment of rights from our Company to CIBI Holdings

On 19 June 2020, our Company entered into an assignment agreement with CIBI Holdings to assign all our Company's rights, title, interest, benefits, duties and obligations under the CIBI SPA and the CIBI SHA to CIBI Holdings. See Section 4.2.1 of this Prospectus for information regarding the Distribution where the entire equity interest in CIBI Holdings was distributed to our existing shareholders on 15 June 2021.

14.6.6 Share purchase agreement dated 12 October 2020 in respect of the acquisition of a 20.0% equity interest in BOL

On 12 October 2020, our Company entered into a share purchase agreement with Keppel Communications Pte Ltd to acquire 164,101,100 ordinary shares in BOL, representing 20.0% of the issued share capital of BOL, for a cash consideration of THB689,224,620.00 (paid in USD22,070,018.89 or RM91,910,593.67*). The share purchase agreement was completed on 28 October 2020.

Note:

* Computed based on USD1:RM4.1645, being the middle rate prevailing as at 12.00 p.m. on 28 October 2020 as published by BNM.

14.6.7 Share purchase agreement dated 8 December 2020 in respect of the acquisition of the entire issued share capital of Basis

On 8 December 2020, our Company entered into a share purchase agreement with Chan Chee Hoo and Basis Holdings Sdn Bhd to acquire 1,000,000 ordinary shares in Basis, representing the entire issued share capital of Basis for (a) an upfront cash consideration of RM32,000,000.00; and (b) earn-out payment which shall be calculated based on a revenue target for two years i.e., January 2021 to December 2022. The share purchase agreement was completed on 4 January 2021.

14.6.8 Master Cornerstone Placement Agreement dated 16 June 2021

Master Cornerstone Placement Agreement dated 16 June 2021 entered into between our Company, the Selling Shareholders, the Joint Global Coordinators, the Joint Bookrunners and the Cornerstone Investors, under which the Cornerstone Investors agree to acquire an aggregate of 509,467,900 Offer Shares, representing approximately 23.16% of the enlarged issued share capital of our Company, pursuant to the Institutional Offering at the Institutional Price on the terms and subject to the conditions as set out in the Master Cornerstone Placement Agreement and the relevant individual cornerstone placement agreements.

14.6.9 Retail Underwriting Agreement dated 16 June 2021

Retail Underwriting Agreement dated 16 June 2021 entered into between our Company, the Joint Managing Underwriters and the Joint Underwriters to severally and not jointly (nor jointly and severally) underwrite 164,000,000 Issue Shares under the Retail Offering at an underwriting commission calculated at the rate of 1.5% (exclusive of applicable tax) of the Retail Price, multiplied by the number of Issue Shares underwritten.

14.6.10 Lock-up letter dated 16 June 2021 in relation to our IPO and our Listing

Lock-up letter dated 16 June 2021 issued by our Company to the Joint Bookrunners in relation to the lock-up arrangement for our IPO and our Listing, details of which are set out in Section 4.8.3 of this Prospectus.

14.7 MATERIAL LITIGATION

As at the LPD, our Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and our Directors confirm that there are no proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our financial or business position.

Notwithstanding the above, as at the LPD, our subsidiaries, CTOS Insights and Enfo are involved in a litigation suit against Experian and other parties as disclosed below.

CTOS Insights Sdn Bhd & Anor v Experian Credit Services Singapore Pte Ltd & 10 Ors (Kuala Lumpur High Court Originating Summons No. WA-24NCC-213-06/2020) ("Originating Summons")

On 12 June 2020, CTOS Insights and Enfo (the "**Plaintiffs**") filed an oppression suit pursuant to Section 346 of the Act to seek for reliefs arising from oppressive conduct by the majority shareholders of Experian. The Defendants are:

(1) Experian Credit Services Singapore Pte Ltd;

(2) Enroc Pte Ltd;

(3) Ringgit Arajaya Sdn Bhd;

(4) Sean Thomas Brennan;

(5) Wong Leong Pin;

(6) Tang Lien;

(7) Pang Chan Yip;

(8) Lai Yee Chee;

(9) Experian Singapore Pte Ltd;

(10) Experian Technology Limited; and

(11) Experian,

(collectively, the "**Defendants**").

The oppressive conduct which forms the basis of this action includes, among others, the approval of Experian's directors' resolutions on 13 May 2020 for payment of management recharges and brand recharges by Experian to the 9th and 10th Defendants for the FYEs 31 March 2020 and 31 March 2021.

The Plaintiffs are seeking for, among others, declaratory reliefs in relation to oppression, order to restrain the 1st to 10th Defendants from carrying out any acts in relation to causing Experian to make payments for recharges, or to make inter-company payments to companies related or connected with the 1st to 3rd Defendants, and an alternative relief of a share buy-out at a valuation determined by an independent valuer.

On 24 June 2020, a consent order was recorded between the parties where it was agreed on a without prejudice and without admission basis that pending the disposal of the Originating Summons or until further order, the 9th and 10th Defendants would repay the management recharges and brand recharges for the FYE 31 March 2020 to Experian, and that no further payment of the management recharges and brand recharges for the FYEs 31 March 2020 and 31 March 2021 would be implemented.

On 6 November 2020, the Plaintiffs filed an application for discovery of documents ("**Discovery Application**"). The hearing of the Discovery Application was held on 27 May 2021. The decision on the outcome of the hearing of the Discovery Application has been scheduled for 28 June 2021.

On 8 January 2021, the Defendants filed an application to strike out the Originating Summons on the argument that the Originating Summons has been rendered academic with the Defendants' agreement not to pay the recharges for the FYEs 31 March 2020 and 31 March 2021 ("**Striking Out Application**"). The hearing of the Striking Out Application was held on 27 May 2021. The decision on the outcome of the hearing of the Striking Out Application has been scheduled for 28 June 2021.

The hearing of the Originating Summons is fixed for 17 August 2021 and 25 August 2021.

On the probable outcome of this suit, the legal counsel acting for the Plaintiffs is of the opinion that the Plaintiffs have a reasonable chance of success.

14.8 CONSENTS

The written consents of the Joint Principal Advisers, Joint Global Coordinators, Joint Bookrunners, Joint Managing Underwriters, Joint Underwriters, Legal Advisers, Share Registrar and Issuing House as listed in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants for the inclusion of its name, opinion on our historical consolidated financial statements for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 contained in the Accountants' Report and Reporting Accountants' Letter on the Pro Forma Consolidated Financial Information, and all references thereto in the form and context in which they are included in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of IDC Research for the inclusion of its name and all references thereto, and the IMR Report in the form and context in which they are included in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

14.9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of six months from the date of this Prospectus:

(i) our Constitution;

(ii) our material contracts as referred to in Section 14.6 of this Prospectus;

(iii) our audited consolidated financial statements for the past three FYEs 31 December 2018, 31 December 2019 and 31 December 2020;

(iv) audited financial statements of each of our subsidiaries for the past three FYEs 31 December 2018, 31 December 2019 and 31 December 2020, save for CTOS Insights for which the audited financial statements are for the FYEs 31 March 2018, 31 March 2019, 31 March 2020 and the nine months FPE 31 December 2020 and Basis for which the audited financial statements are for the FYEs 30 June 2018, 30 June 2019 and 30 June 2020;

(v) Reporting Accountants' Letter on the Pro Forma Consolidated Financial Information as included in Section 12.4 of this Prospectus;

(vi) Accountants' Report as included in Section 13 of this Prospectus;

(vii) IMR Report as included in Section 8 of this Prospectus; and

(viii) letters of consent referred to in Section 14.8 of this Prospectus.

14.10 RESPONSIBILITY STATEMENTS

Our Directors, our Promoter and the Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Maybank IB and RHB IB, being the Joint Principal Advisers, the Joint Global Coordinators and the Joint Bookrunners for the Institutional Offering, and the Joint Managing Underwriters and the Joint Underwriters for the Retail Offering, acknowledge that, based on all available information, and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used in this Section shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10:00 A.M., 30 JUNE 2021.

CLOSING OF THE APPLICATION PERIOD: 5:00 P.M., 6 JULY 2021.

In the event there is any change to the dates stated above, we will advertise the notice of changes in widely circulated English and Bahasa Malaysia daily newspapers within Malaysia.

Late Applications will not be accepted.

15.2 METHODS OF APPLICATIONS

15.2.1 Application of our Issue Shares under the Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Type of Application and category of investors	Application method
Applications by our Directors and eligible employees of our Group (including directors of our subsidiaries)	Pink Application Form only
Applications by persons who have contributed to the success of our Group	Blue Application Form or e-Subscription
Applications by the Malaysian Public	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-individuals	White Application Form only

15.2.2 Application of our IPO Shares under the Institutional Offering

Malaysian institutional and selected investors and foreign institutional and selected investors being allocated our IPO Shares under the Institutional Offering will be contacted directly by the respective Joint Global Coordinators and Joint Bookrunners and will follow the instructions as communicated by the respective Joint Global Coordinators and Joint Bookrunners.

15.3 ELIGIBILITY

15.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

15.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfil all of the following:

(i) you must be one of the following:

  (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or

  (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

  (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia;

(ii) you must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(iii) you must submit the Applications by using only one of the following methods:

  (a) White Application Form;

  (b) Electronic Share Application; or

  (c) Internet Share Application.

15.3.3 Application by our Directors and eligible employees of our Group (including directors of our subsidiaries)

Our Directors and eligible employees of our Group (including directors of our subsidiaries) (including any entities, wherever established) will be provided with Pink Application Forms and letters from us detailing their respective allocation. The applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.

15.3.4 Application by persons who have contributed to the success of our Group

The persons who have contributed to the success of our Group (including any entities, wherever established) will be provided with Blue Application Forms and letters from us detailing their respective allocation. The applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus. The persons who have contributed to the success of our Group can also submit their applications by way of e-Subscription via TIIH Online website at https://tiih.online.

15.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORM

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM1.10 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 705"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) despatched by **ORDINARY POST** in the respective official envelopes provided for each category, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
(Company No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(ii) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than **5.00 p.m. on 6 July 2021** or such other time and date as our Directors and the Joint Underwriters may, in their absolute discretion, mutually decide as the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the Application Form to the Issuing House.

Please refer to the detailed procedures and terms and conditions of the Application Forms set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the Issuing House for further enquiries.

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

Please refer to the detailed procedures and terms and conditions of Electronic Share Application set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Participating Financial Institution for further enquiries.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

Please refer to the detailed procedures and terms and conditions of Internet Share Application set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Participating Financial Institution for further enquiries

15.7 APPLICATION BY WAY OF E-SUBSCRIPTION

Only persons who have contributed to the success of our Group may use the e-Subscription to apply for our Issue Shares offered to them.

Applications made by way of e-Subscription via TIIH Online website at https://tiih.online which do not conform **STRICTLY** to the terms of our Prospectus or notes and instructions will not be accepted. A processing fee will be charged by the Issuing House for each e-Subscription via TIIH Online website at https://tiih.online. **The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.**

Please refer to the detailed procedures and terms and conditions of e-Subscription Application set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the Issuing House for further enquiries.

15.8 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board, reserves the right to:

(i) reject the Applications which:

  (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application, Internet Share Application and e-Subscription (where applicable); or

  (b) are illegible, incomplete or inaccurate; or

  (c) are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest) in accordance with Section 15.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.9 OVER/UNDER-SUBCRIPTION

In the event of over-subscription for the Retail Offering, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of Shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at https://tiih.online within one business day after the balloting event.

Pursuant to the Listing Requirements, we are required to have a minimum of 25.0% of our Company's share capital to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the clawback and reallocation as set out in Section 4.2.4 of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Joint Underwriters based on the terms of the Retail Underwriting Agreement.

15.10 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

15.10.1 For applications by way of Application Forms (White Application Form)

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within ten Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the National Registration Identity Card or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within ten Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.10.2 For applications by way of Electronic Share Applications and Internet Share Applications

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Application within two Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within two Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the fifth Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) not later than ten Market Days from the date of the final ballot. For Applications that are held in reserve and are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within two Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within two Market Days after the receipt of confirmation from the Issuing House.

15.10.3 For applications by way of Blue Application Forms or e-Subscription

In respect of unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the last day of application and payment for the Blue Application Forms.

The refund will be credited directly into your bank account if you have registered such bank account information to Bursa Depository for the purposes of cash dividend/distribution. If you have not registered such bank account information to Bursa Depository, the refund will be made by issuance of cheque and sent by ordinary mail to your last address maintained with Bursa Depository at your own risk.

15.11 SUCCESSFUL APPLICANTS

If you are successful in your Application:

(i) Our IPO Shares allotted to you will be credited into your CDS account.

(ii) A notice of allotment will be despatched to you at the last address maintained with Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.12 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the queries
Application Form	Issuing House Enquiry Services Telephone at (03) 2783 9299
Electronic Share Application	Participating Financial Institutions
Internet Share Application	Internet Participating Financial Institution or Authorised Financial Institution
e-Subscription Application	Issuing House Enquiry Services Telephone at (03) 2783 9299

The results of the allocation of Issue Shares derived from successful balloting will be made available to the public using the Issuing House website at https://tiih.online, **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **five Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

ANNEXURE A: OUR MAJOR CERTIFICATES, LICENCES, PERMITS AND APPROVALS

Details of our major certificates, licences, permits and approvals for our operations as at the LPD together with salient conditions imposed and status of compliance are as follows:

No.	Licensee	Approving authority (Reference no.)	Validity period	Description of licence/ approval	Salient conditions	Status of compliance
1.	CTOS Data Systems	CRA Registrar (Registration Reference No. 0114-102(06))	15 September 2020 to 14 September 2021[(1)]	Certificate of registration issued pursuant to section 14(5) of the CRA Act registering CTOS Data Systems as a CRA	(a) The company may make an application for the renewal of the certificate of registration not later than 90 days before the date of expiry of the certificate of registration in the manner and form as determined by the CRA Registrar and the application shall be accompanied with the prescribed renewal fee and such documents as may be required by the CRA Registrar, but no application for renewal shall be allowed where the application is made after the date of expiry of the certificate of registration; (b) The company shall not transfer, dispose of or lease the bulk of the business, assets or undertaking without the prior written consent of the CRA Registrar; (c) The company shall not begin the process of restructuring, amalgamation or merger without the prior written consent of the CRA Registrar; and (d) The company shall notify the CRA Registrar if there is any substantial change in the shareholding of the company which do not involve the transition of control to another entity.	Complied

ANNEXURE A: OUR MAJOR CERTIFICATES, LICENCES, PERMITS AND APPROVALS *(Cont'd)*

No.	Licensee	Approving authority (Reference no.)	Validity period	Description of licence/ approval	Salient conditions	Status of compliance
					Additional conditions as prescribed under letter issued by the CRA Registrar dated 6 September 2019	
					(a) Foreign shareholding of any CRA shall not exceed 70.0%;	
					(b) CRA which has majority foreign shareholding (51.0% and above) and control, is allowed to engage in the business activity of commercial credit reporting only;	
					(c) Two thirds of the members of the board of directors of a CRA shall consist of Malaysian citizens; and	
					(d) The chief executive officer shall be a Malaysian citizen.	
2.	Basis	CRA Registrar (Registration Reference No. 0114-111(01))	1 April 2021 to 14 September 2021[(2)]	Certificate of registration issued pursuant to section 14(5) of the CRA Act registering Basis as a CRA	(a) The company may make an application for the renewal of the certificate of registration not later than 90 days before the date of expiry of the certificate of registration in the manner and form as determined by the CRA Registrar and the application shall be accompanied with the prescribed renewal fee and such documents as may be required by the CRA Registrar, but no application for renewal shall be allowed where the application is made after the date of expiry of the certificate of registration;	Complied

ANNEXURE A: OUR MAJOR CERTIFICATES, LICENCES, PERMITS AND APPROVALS *(Cont'd)*

No.	Licensee	Approving authority (Reference no.)	Validity period	Description of licence/ approval	Salient conditions	Status of compliance
					(b) The company shall not transfer, dispose of or lease the bulk of the business, assets or undertaking without the prior written consent of the CRA Registrar; (c) The company shall not begin the process of restructuring, amalgamation or merger without the prior written consent of the CRA Registrar; and (d) The company shall notify the CRA Registrar if there is any substantial change in the shareholding of the company which do not involve the transition of control to another entity. **Additional conditions as prescribed under letter issued by the CRA Registrar dated 6 September 2019** (a) Foreign shareholding of any CRA shall not exceed 70.0%; (b) CRA which has majority foreign shareholding (51.0% and above) and control, is allowed to engage in the business activity of commercial credit reporting only; (c) Two thirds of the members of the board of directors of a CRA shall consist of Malaysian citizens; and	

ANNEXURE A: OUR MAJOR CERTIFICATES, LICENCES, PERMITS AND APPROVALS *(Cont'd)*

No.	Licensee	Approving authority (Reference no.)	Validity period	Description of licence/ approval	Salient conditions	Status of compliance
					(d) The chief executive officer shall be a Malaysian citizen.	
3.	CTOS Data Systems	MDEC (Reference No. CS/3/9989 (6a) and (6b))	MSC Malaysia Status is perpetual from grant date on 9 November 2016	MSC Malaysia Status approval letter dated 9 November 2016 certifying: (i) the company with MSC Malaysia Status, and (ii) granting the company the pioneer status incentive under the PIA 1986 on its "value added income", which means its statutory income for the basis period for the year of assessment less the inflation adjusted base income for a period of 10 years (with the first 5 years commencing from 9 November 2016 to 8 November 2021)	(a) The company shall not transfer or assign the MSC Malaysia Status or any benefits, rights and/or obligations thereunder. (b) Any change to the MSC Malaysia Qualifying Activities shall be subject to the prior written consent of the Government which request for approval shall be submitted through MDEC. (c) The company shall ensure that at all times at least 15.0% of the total number of employees (excluding support staff) of the company are Knowledge Workers (as defined by MDEC) who shall be recruited, employed and/or appointed solely for the purpose of undertaking the MSC Malaysia Qualifying Activities. The recruitment, employment and/or appointment of foreign Knowledge Workers (if any) shall be the sole responsibility of the company and the Government and/or MDEC shall not be held responsible for any liability arising from such recruitment, employment and/or appointment.	Complied

ANNEXURE A: OUR MAJOR CERTIFICATES, LICENCES, PERMITS AND APPROVALS *(Cont'd)*

No.	Licensee	Approving authority (Reference no.)	Validity period	Description of licence/ approval	Salient conditions	Status of compliance
					(d) The company shall notify the Government through MDEC of any change in the name of the company.	
					(e) The company shall notify the Government through MDEC of any change in the equity/shareholding structure of the company, or such other changes that may affect the direction or operation of the company.	
					(f) To ensure at least 30.0% of its investment is in the location notified to the Government through MDEC, within six months from the grant of MSC Malaysia Status and shall ensure that such level is maintained at all times.	
					(g) To ensure at least 30 Knowledge Workers or 20 Knowledge Workers with the average salary of at least RM8,000 per month are employed by the company by the end of year five from the date of the grant of MSC Malaysia Status.	
4.	CTOS Data Systems	MITI (Reference No. 5302)	9 November 2016 to 8 November 2021[3]	MSC Pioneer Certificate issued in pursuance of the PIA 1986 certifying the company with pioneer status to carry out the Pioneer Activities	The company is subject to the conditions set out in the MSC Malaysia Status approval letter dated 9 November 2016 (as set out in item (3) above).	Complied

ANNEXURE A: OUR MAJOR CERTIFICATES, LICENCES, PERMITS AND APPROVALS *(Cont'd)*

No.	Licensee	Approving authority (Reference no.)	Validity period	Description of licence/ approval	Salient conditions	Status of compliance
5.	CTOS Data Systems	Kuala Lumpur City Hall (Reference no. DBKL.JPPP/PR01/ 1662/09/2017)	23 November 2020 to 22 November 2021[4]	Business premise licence (business office (tower)) for our head office located at Levels 8 and 9, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur	The employees on the premises should comprise at least 50.0% Malaysian citizens and the remaining 50.0% non-Malaysian citizens must be those with valid work permits.	Complied

Notes:

(1) CTOS Data Systems had submitted its application for renewal of its CRA Certificate on 27 April 2021.

(2) Basis had submitted its application for renewal of its CRA Certificate on 11 June 2021.

(3) CTOS Data Systems had submitted the application for MDEC's approval for the continuation of the tax incentives throughout the Transitional Period on 22 June 2021. We also plan to seek MDEC's renewal of CTOS Data Systems' pioneer status in the third quarter of 2021 for an extended relief period of five years until November 2026.

(4) CTOS Data Systems plans to submit its application for renewal of its business premise licence in October 2021.

ANNEXURE B: OUR TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS

Save as disclosed below, as at the LPD, we do not have any material trademarks, brand names and other intellectual property rights:

Trademarks

No.	Trademark	Registration no./ Place of registration	Status	Validity period	Class/Description of trademark
1.	ctos	2015002329 / Malaysia	Registered	2 March 2015 – 2 March 2025	Class 35: Business information services included in Class 35.

ANNEXURE B: OUR TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS *(Cont'd)*

No.	Trademark	Registration no./ Place of registration	Status	Validity period	Class/Description of trademark
2.	ctos	2015002330 / Malaysia	Registered	2 March 2015 – 2 March 2025	Class 42: Computer services in this class including computer services for legal support, debt recovery services including the provision of these services online, computer consultancy services in this class, consultancy services in this class; legal services in this class; all included in Class 42.
3.	ctos	2015002334 / Malaysia	Registered	2 March 2015 – 2 March 2025	Class 42: Computer services in this class including computer services for legal support, debt recovery services including the provision of these services online, computer consultancy services in this class, consultancy services in this class; legal services in this class; all included in class 42.

ANNEXURE B: OUR TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS *(Cont'd)*

No.	Trademark	Registration no./ Place of registration	Status	Validity period	Class/Description of trademark
4.	Credit Manager	2010017242 / Malaysia	Registered	15 September 2020 – 15 September 2030	Class 9: Computer software for the management of credit; apparatus for the validation of monetary credit values; application software to evaluate, monitor and recover the credit; computer software for financial and database management; all included in Class 9. Disclaimer/ Condition: Registration of this trademark shall give no right to the exclusive use of the word "credit ".
5.	Secure ID	Pending approval	Pending approval(1)	-	TM2019036702 (Class 35), TM2019036706 (Class 36), TM2019036711 (Class 42), TM2019036713 (Class 45)
6.	ctos Application & Decisioning	Pending approval	Pending approval(2)	-	TM2020027461 (Class 35, Class 36, Class 42)

ANNEXURE B: OUR TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS *(Cont'd)*

No.	Trademark	Registration no./ Place of registration	Status	Validity period	Class/Description of trademark
7.	ctos eKYC	Pending approval	Pending approval[(3)]	-	TM2020027459 (Class 35, Class 36, Class 42)
8.	ctos Score	Pending approval	Pending approval[(4)]	-	TM2020027457 (Class 35, Class 36, Class 42)

ANNEXURE B: OUR TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS *(Cont'd)*

No.	Trademark	Registration no./ Place of registration	Status	Validity period	Class/Description of trademark
9.	ctos SME Score	Pending approval	Pending approval(5)	-	TM2020027456 (Class 35, Class 36, Class 42)
10.	ctos IDGuard	Pending approval	Pending approval(6)	-	TM2020027462 (Class 35, Class 36, Class 42, Class 45)

ANNEXURE B: OUR TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS *(Cont'd)*

No.	Trademark	Registration no./ Place of registration	Status	Validity period	Class/Description of trademark
11.	CTOS	Pending approval	Pending approval(7)	-	TM2020028009 (Class 36, Class 45)
12.	ctos Digital	Pending approval	Pending approval(8)	-	TM2021015409 (Class 36)
13.	ctos Basis	Pending approval	Pending approval(9)	-	TM2021015408 (Class 35, Class 36, Class 42)

ANNEXURE B: OUR TRADEMARKS, BRAND NAMES AND OTHER INTELLECTUAL PROPERTY RIGHTS *(Cont'd)*

Notes:

(1) CTOS Data Systems had submitted its application for registration of this trademark on 4 October 2019.

(2) CTOS Data Systems had submitted its application for registration of this trademark on 18 November 2020.

(3) CTOS Data Systems had submitted its application for registration of this trademark on 18 November 2020.

(4) CTOS Data Systems had submitted its application for registration of this trademark on 18 November 2020.

(5) CTOS Data Systems had submitted its application for registration of this trademark on 18 November 2020.

(6) CTOS Data Systems had submitted its application for registration of this trademark on 18 November 2020.

(7) CTOS Data Systems had submitted its application for registration of this trademark on 24 November 2020.

(8) We had submitted our application for registration of this trademark on 3 June 2021.

(9) Basis had submitted its application for registration of this trademark on 3 June 2021.

CTOS DIGITAL BERHAD
(formerly known as CTOS HOLDINGS SDN. BHD.)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE FIRST QUARTER ENDED 31 MARCH 2021

CTOS DIGITAL BERHAD
(Formerly known as CTOS Holdings Sdn. Bhd.)
(Incorporated in Malaysia)
Registration No. 201401025733 (1101823-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Quarter ended 31.3.2021 RM'000	Quarter ended 31.3.2020 RM'000	% +/(-)
Revenue	A8	42,283	34,079	24.1
Cost of sales		(5,423)	(5,450)	(0.5)
Gross profit		36,860	28,629	28.8
Other income		9	45	(80.0)
Selling and marketing expenses		(8,895)	(9,099)	(2.2)
Administrative expenses		(16,107)	(10,283)	56.6
Finance costs		(3,594)	(698)	414.9
Share of profits of associates		1,650	146	1030.1
Profit before tax		9,923	8,740	13.5
Tax expense	B6	(2,618)	(625)	318.9
Profit for the period		7,305	8,115	(10.0)
Other comprehensive income/(loss):				
Items that will be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations		(474)	-	-
Items that will not be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations		118	-	-
Share of other comprehensive income of associate accounted for using equity method		14	-	-
Other comprehensive loss for the financial period		(342)	-	-
Total comprehensive income for the financial period		6,963	8,115	(14.2)
Profit/(loss) for the financial period attributable to:				
- Owners of the Company		7,685	8,115	(5.3)
- Non-controlling interests		(380)	-	-
		7,305	8,115	(10.0)
Total comprehensive income/(loss) for the financial period attributable to:				
- Owners of the Company		7,225	8,115	(11.0)
- Non-controlling interests		(262)	-	-
		6,963	8,115	(14.2)
Earnings per share for profit attributable to ordinary equity holders of the Company				
- Basic (sen)	B12	0.4	0.4	
- Diluted (sen)	B12	0.4	0.4	

The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes.

CTOS DIGITAL BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31.3.2021 RM'000	As at 31.12.2020 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		16,398	16,911
Right-of-use assets		1,597	2,071
Intangible assets		87,254	49,572
Investment in associates		149,016	150,835
Receivables, deposits and prepayments		884	905
Deferred tax assets		951	1,080
TOTAL NON-CURRENT ASSETS		256,100	221,374
CURRENT ASSETS			
Receivables, deposits and prepayments		31,481	28,223
Amount due from a related party		5	3
Amount due from immediate holding company		58	-
Tax recoverable		28	13
Cash and bank balances		29,550	26,371
TOTAL CURRENT ASSETS		61,122	54,610
CURRENT LIABILITIES			
Payables and accruals		14,161	17,120
Dividend payable	B10	17,000	-
Contract liabilities		7,013	6,681
Lease liabilities		1,492	1,876
Provision for restoration costs		606	603
Amount due to a related party		105	371
Borrowings	B8	164,038	132,320
Taxation		2,490	489
TOTAL CURRENT LIABILITIES		206,905	159,460
NET CURRENT LIABILITIES		(145,783)	(104,850)

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UNAUDTED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31.3.2021 RM'000	As at 31.12.2020 RM'000
NON-CURRENT LIABILITIES			
Lease liabilities		275	375
Contingent consideration	A15	9,535	-
Provision for defined benefit plan		66	421
TOTAL NON-CURRENT LIABILITIES		9,876	796
NET ASSETS		100,441	115,728
EQUITY			
Share capital		197,994	197,994
Reverse acquisition reserve		(193,528)	(193,528)
Equity contribution from shareholder		315	315
Other reserves		(505)	(45)
Retained earnings		91,460	106,025
Equity attributable to the owners of the Company		95,736	110,761
Non-controlling interests		4,705	4,967
TOTAL EQUITY		100,441	115,728

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes.

CTOS DIGITAL BERHAD
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Registration No. 201401025733 (1101823-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary shares				Other reserves					
	Number of shares	Share capital	Equity contribution from share-holders	Reverse acquisition reserve[(1)]	Foreign currency translation reserve	Retirement benefit reserve & fair value reserve	Retained earnings	Total attributable to owners of the Company	Non-controlling interest	Total equity
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
As at 1 January 2021	100,000	197,994	315	(193,528)	(145)	100	106,025	110,761	4,967	115,728
Profit/(loss) for the financial period	-	-	-	-	-	-	7,685	7,685	(380)	7,305
Other comprehensive (loss)/ income	-	-	-	-	(474)	14	-	(460)	118	(342)
Transaction with owners: Dividends provided for or paid (Notes A6 and B10)	-	-	-	-	-	-	(22,250)	(22,250)	-	(22,250)
As at 31 March 2021	100,000	197,994	315	(193,528)	(619)	114	91,460	95,736	4,705	100,441

Note:
(1) The reverse acquisition reserve was created during the acquisition of CTOS Business Systems Sdn. Bhd. ("CBS"), CTOS Data Systems Sdn. Bhd. ("CDS") and Automated Mail Responder Sdn. Bhd. ("AMR") by the Company in 2014. CBS was identified as the accounting acquirer in accordance with MFRS 3 "Business Combination". The difference between the issued equity of the Company and issued equity of CBS together with the deemed purchase consideration of subsidiaries other than CBS is recorded as reverse acquisition reserve.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Ordinary shares						
	Number of shares	Share capital	Equity contribution from shareholders	Reverse acquisition reserve[1]	Other reserves	Retained earnings	Total equity
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
As at 1 January 2020	100,000	197,994	315	(193,528)	2,626	71,541	78,948
Profit and total comprehensive income for the financial period	-	-	-	-	-	8,115	8,115
Share-based payment expense for the financial period	-	-	-	-	625	-	625
As at 31 March 2020	100,000	197,994	315	(193,528)	3,251	79,656	87,688

Note:
[1] The reverse acquisition reserve was created during the acquisition of CBS, CDS and AMR by the Company in 2014. CBS was identified as the accounting acquirer in accordance with MFRS 3 "Business Combination". The difference between the issued equity of the Company and issued equity of CBS together with the deemed purchase consideration of subsidiaries other than CBS is recorded as reverse acquisition reserve.

The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Quarter ended	
	31.3.2021	31.3.2020
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	9,923	8,740
Adjustments for:		
Allowance for impairment of receivables and deposits-net	169	167
Depreciation of property, plant and equipment	1,596	1,244
Depreciation of right-of-use assets	498	381
Amortisation of intangible assets	272	-
Interest income	(45)	(63)
Accretion of provision for restoration costs	2	5
Changes in fair value of contingent consideration payable	91	-
Interest expense	3,557	652
Lease interest	35	41
Share-based payment expense	-	625
Share of profits of associates	(1,650)	(146)
Defined benefit plan expense	29	-
Unrealised loss on foreign exchange	3,074	-
Operating cash flows before working capital changes	17,551	11,646
Changes in working capital:		
Receivables, deposits and prepayments	254	(84)
Payables and accruals	(2,775)	(1,932)
Contract liabilities	(46)	(175)
Amount due from immediate holding company	(58)	-
Related parties balances	(268)	-
Cash flows generated from operations	14,658	9,455
Interest received	45	63
Defined benefit plan paid	(307)	-
Share-based payment	(113)	-
Tax paid	(1,011)	(359)
Tax refunded	1	-
Net cash flows generated from operating activities	13,273	9,159

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Quarter ended 31.3.2021 RM'000	31.3.2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,518)	(535)
Purchase of intangible assets		(196)	-
Dividend received		239	-
Acquisition of subsidiary, net of cash acquired	A10	(28,018)	-
Net cash flows used in investing activities		(29,493)	(535)
CASH FLOWS FROM FINANCING ACTIVITIES			
Restricted cash for term loan facility		(21)	(4,357)
Dividends paid	A6	(5,250)	-
Drawdown of borrowings		32,000	38,000
Repayment of borrowings		(5,092)	(16,371)
Payment of lease liabilities		(546)	(416)
Transaction cost paid		(627)	(806)
Interest paid		(1,279)	(516)
Repayment of advances from immediate holding company		-	(14,297)
Net cash flows generated from financing activities		19,185	1,237
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,965	9,861
EFFECT OF EXCHANGE RATE CHANGES		193	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD		24,936	5,489
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD		28,094	15,350

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes.

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Explanatory Notes on the Quarterly Report – 31 March 2021

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

This condensed consolidated financial information of CTOS Digital Berhad ("the Company") and its subsidiaries ("the Group") is prepared in accordance with the requirements of paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complies with the requirements of the Malaysian Financial Reporting Standard ("MFRS") 134 – Interim Financial Reporting and International Accounting Standard 34 "Interim Financial Reporting". The condensed consolidated financial information is unaudited and should be read in conjunction with the Group's audited annual financial statements for the financial year ended 31 December 2020.

The significant accounting policies and methods of computation adopted for the condensed consolidated financial information are consistent with those adopted for the audited consolidated financial statements for the financial year ended 31 December 2020 except for the adoption of the following amendment to published standard:

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions'

The adoption of the amendment did not have any impact on the Group.

Amendments to MFRS that are applicable to the Group but not yet effective

The Malaysian Accounting Standards Board had issued the following amendments to MFRS of which are effective for the financial period beginning on or after 1 January 2022

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021' (effective 1 April 2021)
- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022)
- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022)
- Amendments to MFRS 137 'Onerous contracts – cost of fulfilling a contract' (effective 1 January 2022)
- Amendments to MFRS 101 'Classification of liabilities as current or non-current (effective 1 January 2023)
- Amendments to MFRS101 – 'Disclosure of accounting policies' (effective 1 January 2023)
- Amendments to MFRS108 – 'Definition of accounting estimates' (effective 1 January 2023)

The Group did not early adopt these amendments to MFRS and they are not expected to have a material impact to the Group other than the amendments to MFRS 101 where the impact is not known and is still being assessed by the Group.

As at 31 March 2021, the Group was in a net current liability position of RM145.8 million which was mainly contributed by the Group's borrowings as at 31 March 2021. The Group's borrowings have been classified as current liabilities as at 31 March 2021 due to the mandatory repayment term in the loan agreements which requires the proceeds from an Initial Public Offering ("IPO") be utilised to repay the outstanding borrowings in an IPO event. A cash flow forecast for 12 months from 31 March 2021 was prepared taking into account the operational, capital commitments and the availability of facilities from financial institutions. Based on the assessment, there was sufficient cash flows to enable the Group to meet its liabilities as and when they fall due and to carry out its operations without a significant curtailment. Therefore, the Directors have prepared the condensed consolidated financial information of the Group on a going concern basis.

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A2. Seasonal or Cyclical Factors

CTOS Digital does see some impact from the festive season which generally occurs in the first half of the year with the second half typically being stronger. Pent up demand from the festive season is captured early in the second half while larger corporates looking to maximise on their budget allocations will see increased demand for services such as insights and analytics in the latter part of the year.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no significant unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the three months ended 31 March 2021.

A4. Material Changes in Estimates

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the three months ended 31 March 2021.

A5. Debts and Equity Securities

The Company entered into a RM32.0 million loan facility agreement on 21 December 2020. The Company has drawn down RM28.7 million and RM3.3 million of the term loan on 4 January 2021 and 18 February 2021 respectively to fund the acquisition of CTOS Basis Sdn. Bhd. ("Basis") (formerly known as Basis Corporation Sdn. Bhd.) and incurred transaction costs of RM0.6 million. The term loan is repayable on a quarterly basis commencing on 5 April 2021 with final maturity on 3 December 2025. Upon the occurrence of certain mandatory prepayment events which includes a change in equity interests of the holding companies in the Company or an IPO, the lenders have the right to cancel the term loan facilities and the total outstanding borrowings have to be fully repaid. In the event of an IPO, the proceeds derived from the IPO shall be utilised to repay the total outstanding borrowings. The Company has initiated the preparation to undertake an IPO of its shares during the financial year ended 31 December 2020. Accordingly, the total balance has been classified as current as at 31 March 2021.

The Company had also repaid RM5.1 million of its existing borrowings during the three months ended 31 March 2021.

Other than the above, there were no other issuance, repurchase and repayment of debts and equity securities during the three months ended 31 March 2021.

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A6. Dividend Paid

	Single-tier tax-exempt dividend per share	Amount of dividends, single-tier tax-exempt
	sen	RM'000
31.3.2021		
Dividends paid in respect of the financial year ended 31 December 2020:		
- second interim ordinary, paid on 21 January 2021	5.25	5,250
	5.25	5,250

A7. Segment Reporting

The Group is primarily engaged in credit reporting agency, digital software related services including software development, outsourcing and provision of training. Management has determined the operating segments to be based on the management reports reviewed by the chief operating decision makers ("CODM") that are used to make strategic decisions, for which discrete financial information is available. For management purposes, the Group is organised into two reportable segments based on their geographical locations. The reportable segments are summarised as follows:

(i) Malaysia which comprise the provision of credit reporting services (sale of reports, monitoring and trade referencing services and other services), sale of software licenses and provision of installation and maintenance services to 3 types of customers, namely Key Accounts, Commercial and Direct-to-Consumer; and

(ii) International which comprise the provision of credit reporting services (sale of reports) by CIBI Information, Inc ("CIBI"), a subsidiary of the Company in the Philippines, and provision of comprehensive commercial credit reports and bulk commercial data sales by Basis to international customers.

The performance of the operating segments is measured based on segment profit calculated as profit for the relevant financial year plus tax expense, finance costs, depreciation and amortisation, share-based payment expense and foreign exchange losses less interest income, foreign exchange gains and share of profits of associates.

The share of results of associate represents the business of a service provider, developer of local and global financial information system and as an online and offline business information service provider as well as consulting service and database management in Thailand and business of a credit reporting, credit bureau and information services in Malaysia.

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A7. Segment Reporting (continued)

The CODM also reviews the revenue of the Malaysia and International segments by type of customers as disclosed in Note A8. All assets are managed based on their geographical locations. Capital expenditure comprises additions to property, plant and equipment, right-of-use assets ("ROU") and intangible assets.

					Quarter ended
				31.3.2021	31.3.2020
				RM'000	RM'000
	Malaysia	International	Elimination	Total	Malaysia
Revenue					
Sales to external customers	35,959	6,324	-	42,283	34,079
Inter-segment sales	65	-	(65)	-	-
Total revenue	**36,024**	**6,324**	**(65)**	**42,283**	**34,079**
Gross profit	31,729	5,131	-	36,860	28,629
Segment profit	16,259	1,067	-	17,326	11,497
Depreciation and amortisation	(2,015)	(351)	-	(2,366)	(1,625)
Finance costs	(3,577)	(17)	-	(3,594)	(698)
Interest income	36	9	-	45	63
Share-based payment expense	-	-	-	-	(625)
Share of profits of associates	428	1,222	-	1,650	146
Realised and unrealised (losses)/ gains on foreign exchange - net	(3,146)	8	-	(3,138)	(18)
Profit before taxation	7,985	1,938	-	9,923	8,740
Tax expense	(2,192)	(426)	-	(2,618)	(625)
Profit for the financial period	5,793	1,512	-	7,305	8,115
Assets	158,120	159,102	-	317,222	155,422
Other disclosures					
Non-cash item* (other than depreciation and amortisation)	3,139	112	-	3,251	167
Capital expenditure arising from:					
- acquisition of a subsidiary	-	37,613	-	37,613	-
- property, plant and equipment, ROU assets and intangible assets additions	1,183	80	-	1,263	535

* *Included in non-cash items are allowance for impairment of receivables and deposits - net, bad debts written off and recovered, defined benefit plan expenses and unrealised (gain)/loss on foreign exchange.*

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A7. Segment Reporting (continued)

Geographical segments

Non-current assets

Non-current assets are determined according to the country of the operating segment. Non-current assets exclude financial instruments and deferred tax assets.

	As at	
	31.3.2021	31.12.2020
	RM'000	RM'000
Malaysia	152,514	115,563
Philippines	11,963	12,052
Thailand	90,672	92,679
	255,149	220,294

Borrowings and lease liabilities

	As at	
	31.3.2021	31.12.2020
	RM'000	RM'000
Malaysia	165,003	133,682
Philippines	802	889
	165,805	134,571

Information about a major customer

There is no single customer that contributed 10% or more of the Group's revenue throughout the reported financial period.

A8. Revenue

The disaggregation of revenue by types of services are as follows:

		Quarter ended	
	Note	31.3.2021	31.3.2020
		RM'000	RM'000
Provision of services	(a)		
- sale of reports		18,109	13,160
- monitoring and trade referencing services		19,660	18,674
- other services		4,036	2,028
- sale of software licenses		244	184
- installation and maintenance services		234	33
		42,283	34,079

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A8. Revenue (continued)

(a) Revenue from contracts with customers:

	Quarter ended	
	31.3.2021	31.3.2020
	RM'000	RM'000
Timing of revenue recognition:		
- at a point in time	21,571	14,655
- over time	20,712	19,424
Revenue from contracts with customers	42,283	34,079

The Group serves four distinct types of customers, namely Key Accounts, Commercial, Direct-to-Consumer and International Business-to-Business ("B2B"). Key Accounts customers comprise the Group's highest revenue-generating customers as well as other selected customers, such as those with complex requirements or well-recognised brands. Commercial customers comprise (i) the Group's Malaysian segment commercial customers other than Key Accounts customers and (ii) all of Basis', a wholly owned subsidiary of the Company, customers which are all commercial customers included within the international segment in Note A7. Direct-to-Consumer comprise the Group's retail consumers. International B2B comprise CIBI's international business-to-business services customers.

The disaggregation of revenue by types of customers are as follows:

	Quarter ended	
	31.3.2021	31.3.2020
	RM'000	RM'000
Type of customers		
- Key Accounts	12,517	12,765
- Commercial - Malaysia	20,906	19,752
- Commercial - International	1,996	-
- Direct-to-Consumer	2,536	1,562
- International B2B	4,328	-
Total	42,283	34,079

A9 Valuations of Property, Plant and Equipment

There were no revaluations of property, plant and equipment during the three months ended 31 March 2021. As at 31 March 2021, all property, plant and equipment were stated at cost less accumulated depreciation.

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A10. Changes in the Composition of the Group

On 8 December 2020, the Company entered into a Sale and Purchase Agreement ("SPA") to acquire the entire equity interest in Basis comprising 1,000,000 ordinary shares for an upfront purchase consideration of RM32 million and an earn-out payment that is computed based on the revenue target of Basis. The earn-out payment is computed based on two times the total revenue of Basis for the financial year ended 30 June 2020, adjusted in proportion to the achievement of the revenue target for the period of January 2021 to December 2022. As stated in the SPA, for an estimated revenue target of RM14.0 million ("Revenue Target"), the earn-out payment will be RM8.0 million. The earn-out payment will be adjusted accordingly based on the actual Revenue Target achieved and is not capped. The earn-out payment is accounted for as a contingent consideration and is payable no later than 30 March 2023. The acquisition was completed on 4 January 2021.

The Group has estimated a contingent consideration of RM9.4 million, by applying a discount rate of 3.8% and assumed a probability-adjusted revenue of Basis of between RM15.7 million and RM18.5 million for the next 2 years on the date of acquisition. The potential undiscounted amount payable under the arrangement is between RM8.8 million and RM10.4 million for actual revenue target between RM15.7 million and RM18.5 million.

Details of the net assets acquired, goodwill and cash flows as of 4 January 2021 arising from business combination are as follows:

	Book value RM'000	Fair value RM'000
Intangible assets	-	873
Right-of-use assets	5	5
Deferred tax assets	90	90
Trade debtors	846	846
Other receivables, deposits and prepayments	62	62
Cash and cash equivalents	3,982	3,982
Trade payables	(154)	(154)
Other payables and accruals	(54)	(54)
Contract liabilities	(376)	(376)
Lease liabilities	(6)	(6)
Taxation	(349)	(349)
Deferred tax liabilities	-	(210)
Net identifiable assets acquired	4,046	4,709
Goodwill arising on acquisition		36,735
Less: Contingent consideration		(9,444)
Cash consideration		32,000
Less: cash and cash equivalents of subsidiary acquired		(3,982)
Net cash outflow of the Group on acquisition of subsidiary		28,018

The goodwill represents the synergies to be realised in the Group's credit reporting business moving forward. The acquisition of Basis is mainly attributable to the expansion of the Group's range of reports to include international business reports and provides the Group with a complementary base of international customers in industries such as insurance, services and credit reporting who are located primarily in Asia Pacific and Europe. It will not be deductible for tax purposes.

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A10. Changes in the Composition of the Group (continued)

The fair value of acquired trade receivables is RM0.8 million. The gross contractual amount for trade receivables due is RM0.8 million recognised on acquisition.

In relation to the acquisition, the Group has recognised non-recurring acquisition related costs of RM0.3 million, which was expensed and included within administrative expenses in the profit or loss.

The revenue and net income of Basis included in the unaudited condensed consolidated statement of comprehensive income for the period from the date of acquisition of 4 January 2021 to 31 March 2021 amounted to RM2.0 million and RM1.1 million, respectively and would not have been materially different if the acquisition had occurred on 1 January 2021.

On 11 February 2021, CIBI, a 51% owned subsidiary of CIBI Holdings Pte Ltd ("CIBI Holdings", formerly known as CTOS SG Pte Ltd"), which in turn is a wholly owned subsidiary of the Company, had entered into a Deed of Assignment to dispose of its entire 20% equity interest in Consumer CreditScore Philippines, Inc ("CCSP") for a total consideration of PHP8,333 equivalent to RM702. The Group's investment in CCSP was fully impaired as at 31 December 2020. The gain on completion of the disposal is insignificant.

Other than the above, there were no changes in the composition of the Group during the three months ended 31 March 2021.

A11. Material Events Subsequent to the Financial Period

The Company's Board of Directors had on 23 April 2021 approved the following:

(i) Proposed distribution amounting to RM15.1 million by way of dividend-in-specie of 4,900,001 ordinary shares in CIBI Holdings held by the Company, representing the entire equity interest in CIBI Holdings to the existing shareholders of the Company ("Proposed Distribution"). The approval and consent from the Company's lender had been obtained for the Proposed Distribution in accordance with the terms of the relevant facilities agreements.

CIBI Holdings holds a 51% equity interest in CIBI, a credit bureau incorporated in the Philippines. Upon completion of the Proposed Distribution, CIBI Holdings and CIBI will cease to be subsidiaries of the Company. The Proposed Distribution was completed on 15 June 2021.

The financial impact of the Proposed Distribution is being assessed by the Company. All the assets and liabilities of CIBI Holdings and CIBI will be derecognised and distributed to the owners of the Company based on their carrying values with the corresponding charge to retained earnings on the completion date.

(ii) Proposal for the Company to undertake a subdivision of the existing 100,000,000 shares in issue to 2,000,000,000 shares ("Proposed Subdivision"). After the Proposed Subdivision, the Company proposes to undertake an IPO of up to 1,100,000,000 shares, comprising an offer for sale of up to 900,000,000 existing shares and a public issue of 200,000,000 new shares, in conjunction with the listing of and quotation for the entire enlarged issued shares on the Main Market of Bursa Malaysia Securities Berhad. The Company had initiated the preparation to undertake an IPO during the financial year ended 31 December 2020. The Proposed Subdivision was completed on 10 June 2021.

Other than the above, there were no other material events subsequent to the end of the financial period up to the date of this report.

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A12. Contingent Liabilities or Contingent Assets

In the normal course of business, there are contingent liabilities arising from legal recourse sought on the Group's credit reporting operations. There were no material losses anticipated as a result of these transactions.

(a) In January 2020, CDS, a wholly owned subsidiary of the Company was served a legal notice on the basis of an alleged negligence in reporting credit information. The Directors and the Group's legal counsel are of the view that the Group has a fair chance in successfully defending the case based on past precedents and no provision is required in the condensed consolidated financial information as at 31 March 2021. Furthermore, CDS's obligation from this claim, if any, is unable to be measured reliably as at 31 March 2021.

(b) In February 2020, CDS was served a legal notice for defamation due to an alleged misreporting of trade reference in respect of a company in which the Plaintiff is a director. The case was struck out on the basis that the Plaintiff has no cause of action since the information concerned only the company and not the Plaintiff personally. Subsequently, the Plaintiff filed a Notice of Appeal at the Court of Appeal. Should the Plaintiff's Appeal be approved, the case has to go to trial before any quantum of damages can be determined. The Directors and the Group's legal counsel are of the view that if the appeal is granted, the Group has a fair chance in successfully defending the case based on past precedents and no provision is required in the condensed consolidated financial information as at 31 March 2021. Furthermore, CDS's obligation from this claim, if any, is unable to be measured reliably as at 31 March 2021.

There were no material changes in the contingent liabilities or contingent assets since the last financial year ended 31 December 2020. There were no significant developments in the two litigation cases as at 31 March 2021.

A13. Capital Commitments

Significant capital expenditure contracted for at the end of reporting date but not recognised as liabilities are as follows:

	As at	
	31.3.2021	31.12.2020
	RM'000	RM'000
Contracted		
- property, plant and equipment	404	356
- intangible assets	3,007	2,253
- investment in subsidiary	-	42,280
	3,411	44,889

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A14. Significant Related Party Transactions

The related party transactions described below were carried out on agreed terms with the related parties.

	Transactions for the period ended 31.3.2021 RM'000	Balances as at 31.3.2021 RM'000
Group		
Professional fees		
- Credisense Limited ("Credisense")	116	105
Outsourcing services		
- Outsource Network Contact Center and Back Office Services Inc. ("ONET")	29	29

The Group has entered into the above related party transactions with parties whose relationships are set out below:

(i) Credisense, being an entity connected to the immediate holding company, Inodes Limited, is principally engaged in software development. Credisense has been providing services to CDS pursuant to a master software license and service agreement dated 8 June 2018 comprising software, consultancy, training, maintenance and support.

(ii) ONET, being subsidiary of a person connected to one of the Company's subsidiary, CIBI, provides outsourcing services such as contact center, human capital management and accounting services to CIBI.

A15. Fair Value Measurements

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

a) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group approximated their fair values as at 31 March 2021.

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A15. Fair Value Measurements (continued)

b) Financial instruments carried at fair value

The following table represents the liabilities measured at fair value, using the respective valuation techniques, as at 31 March 2021:

	Level 3
	RM'000
Contingent consideration	9,535

The fair value of the contingent consideration is calculated as the present value of estimated future cash flow using a discount rate that is adjusted for projection and credit risk. Fair value gain and loss is presented in profit or loss within other income.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at 31 March 2021	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
	RM'000			
Contingent consideration	9,535	Risk-adjusted discount rate	4.02%	A change in the risk-adjusted discount rate by 10% would increase/ decrease the fair value by RM0.1 million
		Expected cash outflows	RM8.8 million - RM10.4 million	If expected cash flows were 10% higher/lower, the fair value would increase/ decrease by RM1.0 million

The expected cash flow is estimated based on the terms of the SPA, as disclosed in Note A10 and the Company's knowledge of the business and how the current economic environment is likely to impact it.

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B. PART B: EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS

B1. Review of Group Performance

	Quarter ended		%
	31.3.2021	31.3.2020	+/(-)
	RM'000	RM'000	
Revenue			
Malaysia	35,959	34,079	5.5
International	6,324	-	-
	42,283	34,079	24.1
Segment profit			
Malaysia	16,259	11,497	41.4
International	1,067	-	-
	17,326	11,497	50.7
Profit before tax ("PBT")	9,923	8,740	13.5
Profit for the period	7,305	8,115	(10.0)
Profit attributable to Owners of the Company ("PATAMI")	7,685	8,115	(5.3)

Reconciliation of PATAMI to Normalised PATAMI*:

PATAMI	7,685	8,115	(5.3)
Add:			
Losses from CIBI and CIBI Holdings	404	-	
Costs related to our acquisitions of CIBI and Basis	96	91	
Share-based payment expense	-	625	
Interest expense on bank borrowings	3,555	644	
Unrealised foreign exchange loss on USD borrowings	3,106	-	
Incremental income tax expense	1,542	-	
Normalised PATAMI – Note 1	16,388	9,475	73.0

Note 1 - Normalised PATAMI is calculated as profit for the financial period attributable to owners of the Company plus, where applicable (i) losses from CIBI and CIBI Holdings ; (ii) costs related to our acquisitions of CIBI (for the financial period ended ("FPE") 31 March 2020) and Basis (for the FPE 31 March 2021); (iii) share-based payment expense; (iv) interest expense on bank borrowings; (v) unrealised foreign exchange losses on USD borrowings; and (vi) incremental income tax expense of CDS recognised based on the estimated annual effective tax rate for the FYE 31 December 2021 of 15.2% as compared to the current tax payable by CDS in accordance with the tax exemption granted for the tax relief period under the pioneer status incentives applicable for the FPE 31 March 2021 (refer to note B6 for more details)

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B1. Review of Group Performance (continued)

The Group registered a revenue of RM42.3 million (net of CCRIS fee waiver of RM3.5 million as Bank Negara Malaysia ("BNM") allowed free access to its CCRIS database) and PBT of RM9.9 million for the first quarter ended 31 March 2021 as compared to a revenue of RM34.1 million and PBT of RM8.7 million in the corresponding period of the previous year.

Total segment profit increased by 50.7% or RM5.8 million to RM17.3 million in the first quarter ended 31 March 2021 compared to RM11.5 million in the corresponding period contributed by the higher profit from Malaysia operations and profit from our recently acquired International operations.

The profit from Malaysia operations increased by RM4.8 million or 41.4% to RM16.3 million from RM11.5 million in the same quarter last year attributable to the increase in revenue with higher gross profit margin and lower operating expenses, mainly in advertising and promotion and sales commission and incentives. The increase in revenue from the Malaysia operations of RM1.9 million or 5.5%, despite the implementation of MCO in Malaysia during the entirety of such period compared to the MCO from 18 March 2020 until 31 March 2020 in the same quarter last year and CCRIS fee waiver of RM3.5 million, was mainly contributed by the higher revenue from our Commercial - Malaysia and Direct-to-Consumer customers, driven by strong growth in new CTOS Credit Manager subscribers as well as higher CTOS Data Systems Reports' sales volume driven by strong demand.

The International operations contributed revenue of RM6.3 million and segment profit of RM1.1 million in the current quarter following the acquisition of a 51.0% equity interest CIBI in June 2020 and the entire equity interest of Basis in January 2021.

Profit before tax for the Group increased by 13.5%, to RM9.9 million in the current quarter from RM8.7 million in the corresponding period of the previous year attributed to the higher share of profits of associates due to the contribution from Business Online Public Company Limited ("BOL"), our associate in Thailand which was acquired in October 2020, offset by the unrealised foreign exchange losses of RM3.1 million on our USD borrowings and higher finance costs. Finance costs increased to RM3.6 million on the back of higher borrowings to finance the acquisition of our investments as well as the acceleration of amortisation of transaction costs related to the borrowings.

However, profit for the period decreased by RM0.8 million to RM7.3 million from RM8.1 million in the corresponding period due to the provision of tax in CDS at a higher annual effective tax rate taking into account the expiry date of the pioneer status tax incentives pursuant to the Grandfathering and Transitional guidelines that became effective on 1 January 2019 and the tax rates and tax laws substantially enacted as at 31 March 2021 (see Note B6). The effective tax rate for CDS in the financial year ended 31 December 2020 was 5.3% whilst the effective tax rate applied for the quarter for CDS is 15.2%.

PATAMI decreased by RM0.4 million or 5.3% to RM7.7 million from RM8.1 million in the corresponding period after including loss attributable to non-controlling interests of RM0.4 million.

Normalised PATAMI increased by RM6.9 million to RM16.4 million from RM9.5 million in the corresponding period attributable to the improved performance from the Malaysia operations and the profit contribution from our recently acquired International operations and associate in Thailand.

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B2. Material Changes in Profit for the Current Quarter as Compared to the Results of the Preceding Quarter

	Quarter ended		%
	31.3.2021	31.12.2020	+/(-)
	RM'000	RM'000	
Revenue			
Malaysia	35,959	34,471	4.3
International	6,324	3,959	59.7
	42,283	38,430	10.0
Segment profit			
Malaysia	16,259	15,427	5.4
International	1,067	(1,187)	-
	17,326	14,240	21.7
PBT	9,923	12,543	(20.9)

Group revenue for the current quarter increased by RM3.9 million or 10.0% compared to the preceding quarter contributed by the consolidation of our Commercial – International customers in Basis in this quarter following the acquisition of the entire equity interest of Basis in January 2021 as well as the higher revenue from our existing Malaysia and International operations.

Total segment profit increased by 21.7% or RM3.1 million to RM17.3 million from RM14.2 million in the preceding quarter contributed by higher profit from the operations in Malaysia and profit of RM1.1 million from International operations compared to a loss of RM1.2 million in the preceding quarter.

The profit from Malaysia operations increased by 5.4% or RM0.8 million to RM16.3 million from RM15.4 million in the preceding quarter mainly due to the higher revenue from our Key Account and Direct-to-Consumer customers from higher sales of digital solutions.

The International operations generated profit of RM1.1 million for the quarter following the acquisition of the entire equity interest of Basis and higher revenue from our International B2B customers compared to a loss of RM1.2 million in the preceding quarter.

Group PBT decreased by RM2.6 million or 20.9% despite the higher revenue mainly due to the unrealised foreign exchange losses of RM3.1 million in the current quarter compared to the unrealised foreign exchange gains of RM3.3 million in the preceding quarter on our USD borrowings. Finance costs increased by RM1.7 million due to the acceleration of amortisation of transaction costs related to the borrowings and the additional drawdown of RM32.0 million in the current quarter. This is mitigated by the higher share of profit of associates of RM0.8 million mainly from BOL, our associate in Thailand.

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B3. Prospects of the Group

For the financial year ending 31 December 2021 ("FYE2021"), the Company expects its subsidiary, CDS to continue to deliver innovative digital solutions such as eKYC to its extensive Key Account customer base. This will be in addition to CDS growing its commercial segment through new account activations, providing SMEs the tools that will help them to make informed decisions on granting credit or credit terms to their customers as well as helping them to reinforce good payment behaviour to enhance their cash collection rates. CDS will also look to expand on its financial literacy programs in FYE2021 by educating individuals on the need to obtain and understand their own credit profile.

The Covid-19 pandemic continues to impact almost all sectors of Malaysia and the Group is of no exception as lending transaction volume slows. However, given the high recurring revenue nature of the business and the accelerated roll out of the digital and analytical solutions, the Group believes that the aforementioned will more than compensate for this transactional slow down and will continue on its solid growth path.

Our associate companies are expected to continue to perform to expectations and the Group will still look for opportunity within the Asia Pacific region as well as within Malaysia for investment.

Barring any unforeseen circumstances, the Board is optimistic that the medium to long term outlook for the Group is positive with potential upside to expand into new verticals.

B4. Variance of Actual Profit from Profit Forecast or Profit Guarantee

Not applicable as there was no financial forecast issued for the current financial period.

B5. Profit Before Tax

The following items have been charged/(credited) in arriving at the profit before tax:

	Quarter ended	
	31.3.2021	31.3.2020
	RM'000	RM'000
Allowance for impairment of receivables - net	169	167
Depreciation of property, plant and equipment	1,596	1,244
Depreciation of right-of-use assets	498	381
Realised loss on foreign exchange	64	18
Unrealised loss on foreign exchange	3,074	-
Bad debts recovered	(22)	-
Amortisation of intangible assets	272	-
Interest income	(45)	(63)

Other than as presented in the condensed consolidated statements of comprehensive income and as disclosed above, there were no material gains/losses on disposal of quoted and unquoted investments or properties and other exceptional items for the current quarter ended 31 March 2021.

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B6. Tax Expense

	Quarter ended	
	31.3.2021 RM'000	31.3.2020 RM'000
Current tax:		
- current year	2,630	625
- over accrual in prior years	(57)	-
	2,573	625
Deferred tax:		
- origination and reversal of temporary differences	(146)	-
- effect of changes in tax rate	191	-
	45	-
Tax expense	2,618	625

The Group's effective tax rate for the current quarter was 26.4%, higher than the statutory tax rate of 24% despite the tax incentives enjoyed by CDS mainly due to non-deductible expenses from the Company. CDS is entitled to pioneer status incentives under the Promotion of Investments Act ("PIA") 1986 for MSC Malaysia Qualifying Activities. As a result, certain CDS profits are exempted from tax for a period of 10 years, beginning on 9 November 2016. However, based on the provisions of the PIA 1986, the incentive's effective period is only for the first 5 years. CDS can enjoy an extension of a second 5-year incentive period by applying to the Malaysia Digital Economy Corporation ("MDEC").

The tax relief period under CDS's MSC Pioneer Certificate is from 9 November 2016 to 8 November 2021. However, pursuant to the Grandfathering and Transitional Guidelines issued by MDEC which became effective on 1 January 2019, such tax relief period will only last until 30 June 2021. CDS requires approval from the MDEC to continue enjoying these tax incentives from 1 July 2021 until 8 November 2021 (the "Transitional Period").

MDEC has provided the new conditions for the Transitional Period under the Guidelines on MSC Malaysia Financial Incentives (Grandfathering and Transition under Services Incentive). The Company is of the view that CDS will be able to meet the conditions and will be submitting its application for approval to continue to enjoy the tax incentives during the Transitional Period based on the timeline stipulated by MDEC.

Pursuant to MFRS 134, the tax expense for an interim period is computed based on the expected annual effective tax rate for the relevant year. Pending approval from MDEC, an estimated annual effective tax rate of 15.2% has been used to compute CDS's tax expense for the three months period ended 31 March 2021 taking into consideration the expiry date of the tax incentive (assuming no extension) and the tax rates and tax laws substantially enacted as at 31 March 2021.

Tax expense for the taxation authorities in the Philippines is calculated at the rate prevailing in that jurisdiction.

B7. Status of Corporate Proposals

Save as disclosed in Note A11, there is no other corporate proposal announced but not completed as at the date of this report.

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B8. Borrowings

	Currency	As at 31.3.2021 RM'000	As at 31.12.2020 RM'000
Secured			
Current			
Term loan	USD	88,300	87,558
Term loan	RM	75,738	44,762
Total borrowings		164,038	132,320

Material changes to borrowings for the three months ended 31 March 2021 are disclosed in Note A5.

B9. Material Litigation

Save as disclosed in Note A12, there were no other material changes in the material litigation as at the date of this report since the last audited financial statements for the financial year ended 31 December 2020.

B10. Dividends

On 31 March 2021, the Company declared a single-tier tax-exempt interim dividend of 17.0 sen per ordinary share amounting to RM17.0 million for the financial year ended 31 December 2020. The dividend will be paid in two tranches of which RM9.0 million was paid on 5 April 2021 and RM8.0 million will be paid in June 2021.

The total dividends declared for the three months ended 31 March 2021 is 22.25 sen per ordinary share (31 March 2020: Nil).

B11. Financial Liabilities

The Group recognised fair value loss of RM0.1 million in the current quarter on the contingent consideration for the acquisition of Basis (see Note A15 (b)).

Save as disclosed above, there was no other gain or loss arising from fair value changes of the Group's financial liabilities for the current quarter and financial period under review.

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B12. Earnings per Share

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to the owners of the Company by the weighted average numbers of ordinary shares in issue during the financial period adjusted for the subdivision of the Company's existing 100,000,000 shares in issue to 2,000,000,000 shares which was completed on 10 June 2021 as disclosed in Note A11.

	Quarter ended	
	31.3.2021	31.3.2020
Profit attributable to the owners of the Company (RM'000)	7,685	8,115
Weighted average number of ordinary shares after subdivision of shares ('000)	2,000,000	2,000,000
Basic earnings per ordinary share (sen)	0.4	0.4

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Quarter ended	
	31.3.2021	31.3.2020
Profit attributable to the owners of the Company (RM'000)	7,685	8,115
Weighted average number of ordinary shares after subdivision of shares ('000)	2,000,000	2,000,000
Adjusted for Employee Share Option Scheme ("ESOS") ('000)	-	633
	2,000,000	2,000,633
Diluted earnings per ordinary share (sen)	0.4	0.4

ANNEXURE D: MANAGEMENT'S SELECTED DISCUSSION AND ANALYSIS OF THE UNAUDITED RESULTS OF OPERATIONS FOR THE 3-MONTH FPEs 31 MARCH 2020 AND 31 MARCH 2021

Selected financial information for the 3-month FPEs 31 March 2020 and 31 March 2021

The following table presents selected financial information from our unaudited consolidated statements of comprehensive income for the financial periods indicated:

	3-month FPE 31 March				
	2020		2021		% change
	RM'000	%(1)	RM'000	%(1)	
Revenue	34,079	100.0	42,283	100.0	24.1
Cost of sales	(5,450)	(16.0)	(5,423)	(12.8)	(0.5)
GP	**28,629**	**84.0**	**36,860**	**87.2**	**28.8**
Other income	45	0.1	9	*	(80.0)
Selling and marketing expenses	(9,099)	(26.7)	(8,895)	(21.0)	(2.2)
Administrative expenses	(10,283)	(30.2)	(16,107)	(38.1)	56.6
Finance costs	(698)	(2.0)	(3,594)	(8.5)	414.9
Share of profits of associates	146	0.4	1,650	3.9	1030.1
PBT	**8,740**	**25.6**	**9,923**	**23.5**	**13.5**
Tax expense	(625)	(1.8)	(2,618)	(6.2)	318.9
Profit for the financial period	**8,115**	**23.8**	**7,305**	**17.3**	**(10.0)**
Profit/(loss) for the financial period attributable to:					
- Owners of our Company	8,115	23.8	7,685	18.2	(5.3)
- Non-controlling interests	–	–	(380)	(0.9)	–
Profit for the financial period	**8,115**	**23.8**	**7,305**	**17.3**	**(10.0)**

Notes:

(1) Percentage of revenue

* Negligible

	3-month FPE 31 March		
	2020	2021	% change
	RM'000	RM'000	
Supplementary financial information			
EBITDA(1)	11,000	15,838	44.0
Normalised PATAMI(2)	9,475	16,388	73.0
GP margin(3) (%)	84.0	87.2	3.8
EBITDA margin(4) (%)	32.3	37.5	16.1
PBT margin(5) (%)	25.6	23.5	(8.2)
Effective tax rate(6) (%)	7.2	26.4	266.7
PATAMI margin(7) (%)	23.8	18.2	(23.5)
Normalised PATAMI margin(8) (%)	27.8	38.8	39.6

Notes:

(1) EBITDA is calculated as profit for the relevant 3-month FPE plus (i) tax expense; (ii) finance costs; and (iii) depreciation and amortization, less (iv) interest income. See note 2 below for information regarding the use of non-MFRS measures.

The following table reconciles our PATAMI to EBITDA for the financial periods indicated:

	3-month FPE 31 March	
	2020	**2021**
	RM'000	**RM'000**
PATAMI	8,115	7,685
Add/(Less):		
Loss for the financial period attributable to non-controlling interests	-	(380)
Tax expense	625	2,618
Finance costs	698	3,594
Interest income	(63)	(45)
Depreciation and amortisation	1,625	2,366
EBITDA	**11,000**	**15,838**

(2) Normalised PATAMI is calculated as profit for the financial period attributable to owners of our Company plus, where applicable (i) losses from CIBI and CIBI Holdings; (ii) costs related to our acquisitions of CIBI (for the FPE 31 March 2020) and Basis (for the FPE 31 March 2021); (iii) share-based payment expense; (iv) interest expense on bank borrowings; (v) unrealised foreign exchange losses on RHB Term Loan 1; and (vi) incremental income tax expense of CTOS Data Systems recognised based on the estimated annual effective tax rate for the FYE 31 December 2021 of 15.2% as compared to the current tax payable by CTOS Data Systems in accordance with the tax exemption granted for the tax relief period under the pioneer status incentives applicable for the FPE 31 March 2021 (see note 6 below for more information).

EBITDA, EBITDA margin, Normalised PATAMI and Normalised PATAMI margin are supplemental measures of our performance and liquidity that are not required by or presented in accordance with the MFRS or IFRS. EBITDA, EBITDA margin, Normalised PATAMI and Normalised PATAMI margin are not measures of our financial performance or liquidity under the MFRS or IFRS and should not be considered as alternatives to net income or any other performance measures derived in accordance with the MFRS or IFRS or as alternatives to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA, EBITDA margin, Normalised PATAMI and Normalised PATAMI margin are not standardised terms, and hence, a direct comparison of similarly titled measures between companies may not be possible. Other companies may calculate EBITDA, EBITDA margin, Normalised PATAMI and Normalised PATAMI margin differently from us, limiting its usefulness as a comparative measure.

The following table reconciles our PATAMI to Normalised PATAMI for the financial periods indicated:

	3-month FPE 31 March	
	2020	**2021**
	RM'000	**RM'000**
PATAMI	8,115	7,685
Add:		
Losses from CIBI and CIBI Holdings	-	404
Costs related to our acquisitions of CIBI and Basis	91	96
Share-based payment expense	625	-
Interest expense on bank borrowings	644	3,555
Unrealised foreign exchange loss on RHB Term Loan 1	-	3,106
Incremental income tax expense	-	1,542
Normalised PATAMI	**9,475**	**16,388**

(3) Calculated as GP divided by revenue.

(4) Calculated as EBITDA divided by revenue.

(5) Calculated as PBT divided by revenue.

(6) Our subsidiary, CTOS Data Systems, the main contributor to our Group's income, is entitled to pioneer status incentives under the PIA 1986 for MSC Malaysia Qualifying Activities. As a result, our effective tax rates for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 have been significantly lower than the statutory tax rate of 24.0% in Malaysia. The tax relief period under CTOS Data Systems' MSC Pioneer Certificate is from 9 November 2016 to 8 November 2021. However, pursuant to the Grandfathering and Transitional Guidelines which became effective on 1 January 2019, such tax relief period will be until 30 June 2021.

CTOS Data Systems had submitted the application for MDEC's approval for the continuation of these tax incentives throughout the Transitional Period on 22 June 2021. While there is no assurance that we will be able to obtain MDEC's approval by 30 June 2021 for the continuation of these tax incentives throughout the Transitional Period, should we obtain such approval after 1 July 2021, the tax relief period will continue from 1 July 2021 until 8 November 2021 even if the tax relief period has expired on 30 June 2021. CTOS Data Systems requires approval from MDEC to enjoy these tax incentives throughout the Transitional Period. MDEC has provided the new conditions to continue these tax incentives throughout the Transitional Period under the Grandfathering and Transitional Guidelines. We believe that CTOS Data Systems will be able to meet the conditions and plan to submit an application in the third quarter of 2021 for approval to continue to enjoy these tax incentives for an extended relief period of five years until November 2026.

Pursuant to MFRS 134 *Interim Financial Reporting,* tax expense for a FPE is computed based on the expected annual effective tax rate for the relevant year. Since approval from MDEC has not yet been granted, an annual effective tax rate of 15.2% for the FYE 31 December 2021 has been used to compute CTOS Data Systems' tax expense for the FPE ended 31 March 2021, which takes into consideration the expiry date of the tax incentives (assuming no extension) and the tax rates and tax laws substantially enacted as at 31 March 2021. To reach our Normalised PATAMI for the FPE 31 March 2021, we have applied an adjustment of RM1.5 million, representing the difference between (a) CTOS Data Systems' tax expense for the FPE 31 March 2021 computed in the manner described above pursuant to MFRS 134 and (b) our current tax payable by CTOS Data Systems in accordance with the tax exemption granted for the tax relief period under the pioneer status incentives applicable for the FPE 31 March 2021.

(7) Calculated as profit for the financial period attributable to owners of our Company divided by revenue.

(8) Calculated as Normalised PATAMI divided by revenue.

Review of performance for the 3-month FPE 31 March 2021 compared to 3-month FPE 31 March 2020

Revenue

The following table sets out a breakdown of our revenue by type of customer for the financial periods indicated:

	FPE 31 March				
	2020		2021		% change
	RM'000	%(1)	RM'000	%(1)	
Malaysia					
Key Accounts	12,765	37.5	12,517	29.6	(1.9)
Commercial - Malaysia	19,752	58.0	20,906	49.4	5.8
Direct-to-Consumer	1,562	4.6	2,536	6.0	62.4
Sub-total	**34,079**	**100.0**	**35,959**	**85.0**	5.5
Commercial - International	–	–	1,996	4.7	–
International B2B	–	–	4,328	10.2	–
Total	**34,079**	**100.0**	**42,283**	**100.0**	**24.1**

Notes:

(1) Percentage of revenue

Our revenue increased by RM8.2 million, or 24.1%, to RM42.3 million for the FPE 31 March 2021 from RM34.1 million for the FPE 31 March 2020. This increase reflects an increase in revenue from our Commercial - Malaysia and Direct-to-Consumer customers, which was partially offset by a decrease in revenue from our Key Accounts customers. As explained below, the significant majority of our revenue in both FPEs was generated in Malaysia, and our revenue increased for the FPE 31 March 2021 despite (i) the implementation of the MCO in Malaysia during the entirety of such period, whereas the comparative FPE 31 March 2020 was only affected by the MCO from its date of implementation on 18 March 2020 until 31 March 2020; and (ii) the reduction of fees charged to our customers for our CTOS Data Systems Reports in an aggregate amount of RM3.5 million as BNM allowed free access to its CCRIS database.

Our revenue for the FPE 31 March 2021 included revenue from our International B2B customers related to the business of CIBI (which we acquired after the FPE 31 March 2020) and revenue from our Commercial - International customers due to our acquisition of Basis in January 2021. Revenue from International B2B customers accounted for 10.2% of our total revenue for the FPE 31 March 2021. Revenue from Commercial - International customers accounted for 4.7% of our total revenue for the FPE 31 March 2021.

Revenue generated by our operations in Malaysia increased by RM1.9 million, or 5.5% to RM36.0 million, net of the aggregate CCRIS fee waiver of RM3.5 million for the FPE 31 March 2021 from RM34.1 million for the FPE 31 March 2020. For the FPEs 31 March 2020 and 31 March 2021, 100.0% and 85.0% of our revenues respectively were generated by our customers in Malaysia.

Revenue from our Key Accounts customers was RM12.5 million for the FPE 31 March 2021. We had increased sales volume during the FPE 31 March 2021 primarily due to increased sales of our digital solutions, including our Comprehensive Portfolio Review, CTOS IDGuard, CAD and eKYC and sales of bundled services (two or more digital solutions sold together), with sales volumes gaining traction since they were launched. However, for the FPE 31 March 2021, we reduced our fees charged to our Key Accounts customers for our CTOS Data Systems Reports in an aggregate amount of RM3.2 million as BNM allowed free access to its CCRIS database in June 2020 which is expected to continue until the end of 2021. The increase in revenue generated from increased sales volume described above was fully offset by the aforementioned CCRIS fee waiver of RM3.2 million, resulting in the decrease in our Key Accounts revenue by RM0.2 million, or 1.9%, to RM12.5 million for the FPE 31 March 2021 from RM12.8 million for the FPE 31 March 2020.

Revenue from our Commercial - Malaysia customers increased by RM1.2 million, or 5.8%, to RM20.9 million for the FPE 31 March 2021 from RM19.8 million for the FPE 31 March 2020, primarily due to strong growth in new CTOS Credit Manager subscribers, which generated additional revenue from subscription fees, as well as higher CTOS Data Systems Reports' sales volume driven by strong demand. We reduced our fees charged to our Commercial - Malaysia customers for our CTOS Data Systems Reports in an aggregate amount of RM0.1 million as BNM allowed free access to its CCRIS database.

Revenue from our Direct-to-Consumer customers increased by RM1.0 million, or 62.4%, to RM2.5 million for the FPE 31 March 2021 from RM1.6 million for the FPE 31 March 2020, primarily due to increased sales volume of MyCTOS Score Reports from both new customers and repeat customers, despite reducing our fees charged to our Direct-to-Consumer customers for our CTOS Data Systems Reports in aggregate amount of RM0.2 million as BNM allowed free access to its CCRIS database.

Revenue from our Commercial - International customers was RM2.0 million for the FPE 31 March 2021. This revenue was generated entirely by Basis from 4 January 2021 (when we acquired Basis) to 31 March 2021. Revenue from our Commercial - International customers would not have been materially different if the acquisition had occurred on 1 January 2021.

Our revenue for the FPE 31 March 2021 also included RM4.3 million of revenue from our International B2B customers following our acquisition of a 51.0% equity interest in CIBI in June 2020.

Cost of sales

Our cost of sales decreased marginally by RM0.03 million, or 0.5%, to RM5.4 million for the FPE 31 March 2021 from RM5.5 million for the FPE 31 March 2021, despite a 24.1% increase in our revenue for the same period. This lower cost of sales was largely due to the CCRIS fee waiver, which amounted to RM3.5 million in the FPE 31 March 2021. The CCRIS fee waiver was more than enough to fully offset the increase in cost of sales related to (i) an increase in costs of reports purchased from third parties in line with the increase in sales volume of our CTOS Data Systems Reports and our digital solutions; (ii) the inclusion of cost of sales to our International B2B customers in our total cost of sales for the FPE 31 March 2021 but not the FPE 31 March 2020 due to our acquisition of a 51.0% equity interest in CIBI in June 2020; and (iii) the inclusion of cost of sales of CTOS Basis Reports in our total cost of sales for the FPE 31 March 2021 but not the FPE 31 March 2020 due to our acquisition of Basis in January 2021. Cost of sales of CIBI accounted for 17.8% of our total cost of sales for the FPE 31 March 2021. Our cost of sales as a percentage of total revenue decreased to 12.8% for the FPE 31 March 2021 from 16.0% for the FPE 31 March 2020 for the same reasons.

GP and GP margin

Our GP increased by RM8.2 million, or 28.8%, to RM36.9 million for the FPE 31 March 2021 from RM28.6 million for the FPE 31 March 2020 primarily due to increases in sales volume from our Key Accounts, Commercial - Malaysia and Direct-to-Consumer customers. The inclusion of GP from sales to our Commercial - International customers and our International B2B customers for the FPE 31 March 2021 but not the FPE 31 March 2020 also contributed to the increase in GP. Our GP margin increased from 84.0% for the FPE 31 March 2020 to 87.2% for the FPE 31 March 2021 primarily due to the decrease in cost of sales which in turn is primarily due to the aggregate RM3.5 million reduction in our fees charged to our Key Accounts, Commercial - Malaysia and Direct-to-Consumer customers for our CTOS Data Systems Reports in relation to the CCRIS fee waiver.

For the FPE 31 March 2021, GP margin for our Malaysia segment was 88.2% while GP margin for our International segment was 81.1%.

The following tables sets out the breakdown of our GP by geography, and as a percentage of revenue for the financial periods indicated:

	FPE 31 March 2020						**FPE 31 March 2021**					
	Malaysia		**International**		**Total**		**Malaysia**		**International**		**Total**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Revenue	34,079	100.0	–	–	34,079	100.0	35,959	100.0	6,324	100.0	42,283[(1)]	100.0
Cost of sales	(5,450)	(16.0)	–	–	(5,450)	(16.0)	(4,230)	(11.8)	(1,193)	(18.9)	(5,423)	(12.8)
GP	**28,629**	**84.0**	**–**	**–**	**28,629**	**84.0**	**31,729**	**88.2**	**5,131**	**81.1**	**36,860**	**87.2**

Note:

(1) After elimination of Inter-segment sales.

Other income

Other income decreased by RM36,000, to RM9,000 for the FPE 31 March 2021 from RM45,000 for the FPE 31 March 2020, primarily due to the fair value loss on Basis contingent consideration of RM0.1 million, partially offset by a net gain on foreign exchange on foreign currency denominated items such as bank balances, receivables and payables of RM24,000 and reversal of provision for bad debts of RM22,000. Other income of CIBI was RM22,000 for the FPE 31 March 2021.

Selling and marketing expenses

Selling and marketing expenses decreased by RM0.2 million, or 2.2%, to RM8.9 million for the FPE 31 March 2021 from RM9.1 million for the FPE 31 March 2020 primarily due to lower advertising, promotion, sales commission and incentives expenses. We had lower digital spending and other marketing costs in the FPE 31 March 2021 and did not have significant advertising or promotional costs during the period, as compared to FYE 31 March 2020 when we had launched our digital solutions such as CTOS SecureID. Additionally, the impact of the COVID-19 pandemic resulted in fewer employees achieving their performance targets, resulting in lower commission and incentives being paid. The decrease was partially offset by the inclusion of staff costs from CIBI and Basis in our selling and marketing expenses for the FPE 31 March 2021 (due to our acquisition of (i) a 51.0% equity interest in CIBI in June 2020 and (ii) Basis in January 2021) but not the FPE 31 March 2020. Selling and marketing expenses of CIBI accounted for 20.6% of our total selling and marketing expenses for the FPE 31 March 2021.

Administrative expenses

Administrative expenses increased by RM5.8 million, or 56.6%, to RM16.1 million for the FPE 31 March 2021 from RM10.3 million for the FPE 31 March 2020, primarily due to an unrealised loss on foreign exchange on RHB Term Loan 1, the inclusion of administrative expenses of CIBI and Basis (following their acquisition in June 2020 and January 2021, respectively) and higher depreciation expenses.

The following table sets out a breakdown of our administrative expenses for the FPE 31 March 2020 and the FPE 31 March 2021:

	3-month FPE 31 March	
	2020	**2021**
	RM'000	**RM'000**
Staff cost, including share-based payment expense	5,396	6,114
Depreciation and amortisation expenses		
- Depreciation of property, plant and equipment	1,244	1,596
- Depreciation of right-of-use assets	381	498
- Amortisation of intangible assets	-	213
IT support expenses	1,224	1,766
Legal and professional fees	205	332
Rental of buildings	67	67
Staff insurance	143	204
Travelling and entertainment	315	210
Office expenses	503	767
Allowance for impairment of receivables - net	167	169
Unrealised loss on foreign exchange on RHB Term Loan 1	-	3,106
Realised loss on foreign exchange on RHB Term Loan 1	-	56
Other expenses	638	1,009
Total	**10,283**	**16,107**

Administrative expenses of CIBI accounted for 13.4% of our total administrative expenses for the FPE 31 March 2021.

Staff cost, including share-based payment expense increased by RM0.7 million, or 13.3%, to RM6.1 million for the FPE 31 March 2021 from RM5.4 million for the FPE 31 March 2020 primarily due to the increased headcount and incremental salary increases to support our digital solutions and operations. Staff cost, including share-based payment expense was higher in the FPE 31 March 2021 despite no share-based payment expense being recognised during the period, compared to the FPE 31 March 2020, where we recognized a share-based payment expense of RM0.6 million. IT support expense increased by RM0.5 million, or 44.3% to RM1.8 million for the FPE 31 March 2021 from RM1.2 million in the FPE 31 March 2020 primarily due to an increase in the fees paid for outsourced IT support services, technology compliance costs and the consolidation of CIBI after our acquisition in June 2020. Office expenses increased by RM0.3 million, or 52.5%, to RM0.8 million for the FPE 31 March 2021 from RM0.5 million for the FPE 31 March 2020 primarily reflecting the consolidation of CIBI after our acquisition in June 2020, despite a decrease in office expense for our Malaysia operations as a result of most of our employees working from home due to the COVID-19 pandemic. Legal and professional fees increased by RM0.1 million, or 62.0%, to RM0.3 million for the FPE 31 March 2021 from RM0.2 million for the FPE 31 March 2020 due to legal fees related to litigation with Experian. Unrealised loss on foreign exchange on RHB Term Loan 1 for the FPE 31 March 2021 was RM3.1 million and was related to our USD-denominated borrowing.

Finance costs

Finance costs increased by RM2.9 million to RM3.6 million for the FPE 31 March 2021 from RM0.7 million for the FPE 31 March 2020, primarily due to an increase in interest expense on higher bank borrowings to finance the acquisition of Experian, BOL and Basis, as well as the acceleration of amortisation of transaction costs related to the borrowings.

The following table sets out a breakdown of our finance costs for the financial periods indicated:

	3-month FPE 31 March	
	2020	**2021**
	RM'000	**RM'000**
Interest expense on:		
- Bank borrowings	644	3,555
- Lease liabilities	41	35
Accretion of provision for restoration costs and others	13	4
Total	**698**	**3,594**

Finance costs of CIBI accounted for 0.5% of our total finance costs for the FPE 31 March 2021.

Share of profits of associates

Share of profits of associates increased by RM1.5 million to RM1.7 million for the FPE 31 March 2021 from RM0.1 million for the FPE 31 March 2020 due to the contribution of our investment in Experian and our investment in BOL in October 2020. BOL contributed to our share of profits of associates for the FPE 31 March 2021 but not the FPE 31 March 2020.

PBT and PBT margin

PBT increased by RM1.2 million, or 13.5% to RM9.9 million for the FPE 31 March 2021 from RM8.7 million for the FPE 31 March 2020, due to an increase in revenue with higher GP margin and higher share of profits of associates, offset by an increase in administrative expenses and finance costs. Our PBT margin slightly decreased from 25.6% for the FPE 31 March 2020 to 23.5% for the FPE 31 March 2021 for the reasons described above.

PBT includes CIBI's loss before tax of RM0.6 million for the FPE 31 March 2021.

Tax expense

Tax expense increased by RM2.0 million, or 318.9%, to RM2.6 million for the FPE 31 March 2021 from RM0.6 million for the FPE 31 March 2020 primarily due to the provision of tax for the period at CTOS Data Systems at a higher annual effective rate.

The annual effective tax rate used to compute our tax expense for the FPE 31 March 2020 was significantly lower than the statutory tax rate of 24.0% in Malaysia and the annual effective tax rate used to compute our tax expense for the FPE 31 March 2020 because our subsidiary, CTOS Data Systems, the main contributor to our Group's income, was entitled to pioneer status incentives under the PIA 1986 for MSC Malaysia Qualifying Activities for the FYE 31 December 2020.

CTOS Data Systems was also entitled to pioneer status incentives for the FPE 31 March 2021. However, pursuant to MFRS 134 *Interim Financial Reporting,* tax expense for a FPE is computed based on the expected annual effective tax rate for the relevant year. The tax relief period under CTOS Data Systems' MSC Pioneer Certificate is from 9 November 2016 to 8 November 2021. However, pursuant to the Grandfathering and Transitional Guidelines which became effective on 1 January 2019, such tax relief period will be until 30 June 2021. CTOS Data Systems requires approval from MDEC to enjoy these tax incentives throughout the Transitional Period. MDEC has provided the new conditions to continue these tax incentives throughout the Transitional Period under the Grandfathering and Transitional Guidelines. We believe that CTOS Data Systems will be able to meet the conditions and plan to submit an application in the third quarter of 2021 for approval to continue to enjoy these tax incentives for an extended relief period of five years until November 2026. However, since approval from MDEC has not yet been granted, an annual effective tax rate of 15.2% for the FYE 31 December 2021 has been used to compute CTOS Data Systems' tax expense for the FPE ended 31 March 2021, which takes into consideration the expiry date of the tax incentives (assuming no extension) and the tax rates and tax laws substantially enacted as at 31 March 2021.

Tax expense for the FPE 31 March 2021 included Basis tax expense of RM0.3 million and CIBI tax expense of RM0.2 million. Tax expense of CIBI accounted for 5.7% of our total tax expense for the FPE 31 March 2021.

Profit for the financial period, PATAMI and PATAMI margin

Profit for the financial period decreased by RM0.8 million, or 10.0%, to RM7.3 million for the FPE 31 March 2021 from RM8.1 million for the FPE 31 March 2020 primarily due to an increase in tax expense and administrative expenses, higher finance costs and the loss before tax of CIBI, despite an increase in revenue and share of profits of associates, as described above. Profit for the financial period for the FPE 31 March 2021 included CIBI's loss for the financial period of RM0.8 million.

PATAMI decreased by RM0.4 million, or 5.3%, to RM7.7 million for the FPE 31 March 2021 from RM8.1 million for the FPE 31 March 2020. PATAMI for the FPE 31 March 2021 included CIBI's loss after tax and minority interests of RM0.4 million.

PATAMI margin decreased from 23.8% for the FPE 31 March 2020 to 18.2% for the FPE 31 March 2021 due to increased tax expense, administrative expenses and finance costs, as described above.

Liquidity and capital resources

Working capital

Our working capital is funded through cash generated from our operating activities and borrowings from financial institutions as well as our cash and bank balances.

As at 31 March 2021, we had cash and bank balances of RM29.6 million and total borrowings of RM164.0 million. As at 31 March 2021, we were in a net current liabilities position of RM145.8 million, calculated as the difference between our current assets of RM61.1 million and current liabilities of RM206.9 million. The net current liabilities position is attributable to the requirement to mandatorily prepay all amounts outstanding under the facilities pursuant to Facilities Agreement 1 and 2 upon our receipt of the proceeds from our Public Issue. Accordingly, we have classified the RM164.0 million outstanding under these facilities as current borrowings as at 31 March 2021. Upon repayment of the amounts outstanding under these facilities, we do not foresee that we will continue to be in a net current liabilities position.

Cash flows

The following table summarises our consolidated statements of cash flows for the periods indicated:

	3-month FPE 31 March	
	2020	**2021**
	RM'000	**RM'000**
Net cash flows generated from operating activities	9,159	13,273
Net cash flows used in investing activities	(535)	(29,493)
Net cash flows generated from financing activities	1,237	19,185
Net increase in cash and cash equivalents	**9,861**	**2,965**
Effects of exchange rate changes	–	193
Cash and cash equivalents at beginning of the financial period	5,489	24,936
Cash and cash equivalents at the end of the financial period	**15,350**	**28,094**

Net cash generated from operating activities

FPE 31 March 2021 compared to FPE 31 March 2020

Our net cash generated from operating activities was RM13.3 million for the FPE 31 March 2021 compared to RM9.2 million for the FPE 31 March 2020. Our net cash from operating activities increased primarily due to an increase in operating cash flows before working capital changes from RM11.6 million for the FPE 31 March 2020 to RM17.6 million for the FPE 31 March 2021 that was primarily attributed to higher PBT, an increase in interest expense on higher bank borrowings to finance the acquisition of Experian, BOL and Basis and an increase in unrealised loss on foreign exchange on RHB Term Loan 1. However, this increase in operating cash flows before working capital changes was partially offset by a decrease in net working capital of RM2.9 million for the FPE 31 March 2021.

We had a net decrease in working capital primarily due to:

(i) A decrease in payables and accruals of RM2.8 million in the FPE 31 March 2021 primarily as a result of CIBI's settlement of its amount outstanding to suppliers of RM1.2 million compared to a decrease of RM1.9 million in the FPE 31 March 2020;

(ii) A decrease in receivables, deposits and prepayments of RM0.3 million in the FPE 31 March 2021 compared to an increase of RM84,000 in the FPE 31 March 2020; and

(iii) A decrease in related parties balances of RM0.3 million in the FPE 31 March 2021 due to the settlement of amount owed to Credisense.

Income tax paid for the FPE 31 March 2021 was RM1.0 million, which was RM0.7 million higher than income tax paid for the FPE 31 March 2020 of RM0.4 million. The increase was primarily due to the Government's COVID-19 relief initiative that allowed companies including us to defer certain income tax instalment payments. As a result, we deferred a portion of our 2020 tax payment to January 2021. In addition, FPE 31 March 2021 included income tax paid by Basis and CIBI of RM0.2 million.

Overall, net cash flow generated from operating activities in the FPE 31 March 2021 was higher than net cash flows generated from operating activities in the FPE 31 March 2020.

Net cash used in investing activities

FPE 31 March 2021

Our net cash used in investing activities was RM29.5 million for the FPE 31 March 2021, primarily attributable to:

(i) RM28.0 million spent on the acquisition of Basis in January 2021, net of cash acquired;

(ii) RM1.5 million spent on purchase of property, plant and equipment related to IT infrastructure and security and data analytics tools; and

(iii) RM0.2 million spent on the purchase of intangible assets related to the development and enhancement of our digital solutions,

partially offset by RM0.2 million of dividend received from Experian.

FPE 31 March 2020

Our net cash used in investing activities was RM0.5 million for the FPE 31 March 2020, which was attributable to our purchase of property, plant and equipment related to IT infrastructure and product development.

Net cash generated from financing activities

FPE 31 March 2021

Our net cash generated from financing activities was RM19.2 million for the FPE 31 March 2021, primarily attributable to RM32.0 million drawdown of RHB Term Loan 3 partially offset by:

(i) RM5.3 million of dividends paid;

(ii) RM5.1 million of RHB Term Loan 1 and RHB Term Loan 2 that were repaid; and

(iii) RM1.3 million of interest paid on RHB Term Loan 1, RHB Term Loan 2 and RHB Term Loan 3.

FPE 31 March 2020

Our net cash generated from financing activities was RM1.2 million for the FPE 31 March 2020, primarily attributable to RM38.0 million drawdown of the Refinanced Facility, partially offset by:

(i) RM16.4 million of the Revolving Credit Facility and the Refinanced Facility that were repaid;

(ii) RM14.3 million of repayment of advances from immediate holding company; and

(iii) RM4.4 million of additional cash placed as restricted cash for term loan facility.

Capital expenditure

The following table sets out a breakdown of our capital expenditure for the financial period indicated:

	FPE 31 March 2021[1]
	RM'000
Computers[2]	864
Work in progress[3]	203
Intangible assets[4]	196
Total	**1,263**

Notes:

(1) Includes capital expenditures of CIBI comprising RM34,000 for computers and RM16,000 for intangible assets.

(2) Expenditures for IT infrastructure and security and server storage and capacity.

(3) Expenditures for product enhancement and development projects and IT projects that are in progress at the year end.

(4) Expenditures for intangible assets used in product development and enhancements.

The majority of our capital expenditures were incurred in connection with IT infrastructure and security, server storage and capacity, office equipment and digital solutions development and enhancements.

We expect to meet our capital expenditure requirements through our internally generated funds (which includes our cash and cash equivalents on hand and cash generated from future operations).