



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

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SECOND QUARTER ENDED 30 JUNE 2021



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

(Formerly known as CTOS Holdings Sdn Bhd)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Quarter ended 30.6.2021 RM'000	Quarter ended 30.6.2020 RM'000	% +/(-)	Cumulative Quarter ended 30.6.2021 RM'000	Cumulative Quarter ended 30.6.2020 RM'000	% +/(-)
Continuing operations							
Revenue	A8	37,849	30,651	23.5	75,804	64,730	17.1
Cost of sales		(4,820)	(4,257)	13.2	(9,277)	(9,707)	(4.4)
Gross profit		33,029	26,394	25.1	66,527	55,023	20.9
Other (expense)/income		(98)	80	(222.5)	(111)	125	(188.8)
Selling and marketing expenses		(7,922)	(7,005)	13.1	(14,984)	(16,104)	(7.0)
Administrative expenses		(10,680)	(10,802)	(1.1)	(24,619)	(21,085)	16.8
Finance costs		(1,620)	(883)	83.5	(5,197)	(1,581)	228.7
Share of profits of associates		1,770	345	413.0	3,420	491	596.5
Profit before tax		14,479	8,129	78.1	25,036	16,869	48.4
Tax expense	B6	(2,460)	(625)	293.6	(4,928)	(1,250)	294.2
Profit from continuing operations		12,019	7,504	60.2	20,108	15,619	28.7
Discontinued operations							
Loss from discontinued operations (note 1)		(350)	-	-	(1,134)	-	-
Profit for the financial period		11,669	7,504	55.5	18,974	15,619	21.5
Other comprehensive (loss)/ income:							
Items that will be subsequently reclassified to profit or loss:							
Exchange differences on translation of foreign operations		(2,071)	-	-	(2,781)	-	-
Exchange differences on translation of discontinued operations		156			392		
Items that will not be subsequently reclassified to profit or loss:							
Exchange differences on translation of foreign operations		53	-	-	171	-	-
Share of other comprehensive income of associate accounted for using equity method		-	-	-	14	-	-
Other comprehensive loss for the financial period		(1,862)	-	-	(2,204)	-	-
Total comprehensive income for the financial period		9,807	7,504	30.7	16,770	15,619	7.4

Note:

- The discontinued operations are in relation to the results of CIBI Holdings Pte Ltd ("CIBI Holdings") (formerly known as CTOS SG Pte Ltd) and CIBI Information, Inc ("CIBI"), following the completion of the distribution by way of dividend-in-specie of the entire equity interest in CIBI Holdings Pte Ltd ("CIBI Holdings") held by the Company to the existing shareholders of the Company (see Note A10 for details). The comparatives have not been restated due to immateriality.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Quarter ended 30.6.2021 RM'000	Quarter ended 30.6.2020 RM'000	% + / (-)	Cumulative 30.6.2021 RM'000	Quarter ended 30.6.2020 RM'000	% + / (-)
Profit/(loss) for the financial period attributable to:							
- Owners of the Company							
- from continuing operations		12,019	7,504	60.2	20,108	15,619	28.7
- from discontinued operations		(179)	-	-	(583)	-	-
		11,840	7,504	57.8	19,525	15,619	25.0
- Non-controlling interests		(171)	-	-	(551)	-	-
		11,669	7,504	55.5	18,974	15,619	21.5
Total comprehensive income/(loss) for the financial period attributable to:							
- Owners of the Company							
- from continuing operations		9,948	7,504	32.6	17,341	15,619	11.0
- from discontinued operations		(23)	-	-	(191)	-	-
		9,925	7,504	32.3	17,150	15,619	9.8
- Non-controlling interests		(118)	-	-	(380)	-	-
		9,807	7,504	30.7	16,770	15,619	7.4
Earnings per share for profit attributable to ordinary equity holders of the Company							
- Basic (sen)	B12(a)						
- Continuing operations		0.6	0.4	50.0	1.0	0.8	25.0
- Discontinued operations		*	-	-	*	-	-
		0.6	0.4	50.0	1.0	0.8	25.0
- Diluted (sen)	B12(b)						
- Continuing operations		0.6	0.4	50.0	1.0	0.8	25.0
- Discontinued operations		*	-	-	*	-	-
		0.6	0.4	50.0	1.0	0.8	25.0

* Negligible

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30.6.2021 RM'000	As at 31.12.2020 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		14,904	16,911
Right-of-use assets		506	2,071
Intangible assets		77,412	49,572
Investment in associates		149,004	150,835
Receivables, deposits and prepayments		-	905
Deferred tax assets		1,233	1,080
TOTAL NON-CURRENT ASSETS		243,059	221,374
CURRENT ASSETS			
Receivables, deposits and prepayments		24,026	28,223
Amount due from a related party		6	3
Amount due from immediate holding company		30	-
Tax recoverable		75	13
Cash and bank balances		18,308	26,371
TOTAL CURRENT ASSETS		42,445	54,610
CURRENT LIABILITIES			
Payables and accruals		12,348	17,120
Contract liabilities		6,339	6,681
Lease liabilities		561	1,876
Provision for restoration costs		608	603
Amount due to a related party		73	371
Borrowings	B8	158,139	132,320
Taxation		5,203	489
TOTAL CURRENT LIABILITIES		183,271	159,460
NET CURRENT LIABILITIES		(140,826)	(104,850)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 30.6.2021 RM'000	As at 31.12.2020 RM'000
NON-CURRENT LIABILITIES			
Lease liabilities		-	375
Contingent consideration	A15	9,626	-
Provision for defined benefit plan		-	421
Deferred tax liabilities		99	-
		<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES		9,725	796
		<hr/>	<hr/>
NET ASSETS		92,508	115,728
		<hr/>	<hr/>
EQUITY			
Share capital		197,994	197,994
Reverse acquisition reserve		(193,528)	(193,528)
Equity contribution from shareholder		315	315
Other reserves		(2,438)	(45)
Retained earnings		90,165	106,025
		<hr/>	<hr/>
Equity attributable to the owners of the Company		92,508	110,761
Non-controlling interests		-	4,967
		<hr/>	<hr/>
TOTAL EQUITY		92,508	115,728
		<hr/>	<hr/>
Net assets per share attributable to Owners of the Company (RM)		0.05	0.06
		<hr/>	<hr/>

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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary shares		Equity contribution from share-holders RM'000	Reverse acquisition reserve ⁽¹⁾ RM'000	Other reserves		Retained earnings RM'000	Total attributable to owners of the Company RM'000	Non-controlling interest RM'000	Total equity RM'000
	Number of shares '000	Share capital RM'000			Foreign currency translation reserve RM'000	Retirement benefit reserve & fair value reserve RM'000				
<u>Group</u>										
As at 1 January 2021	100,000	197,994	315	(193,528)	(145)	100	106,025	110,761	4,967	115,728
Subdivision of shares (Note A5)	1,900,000	-	-	-	-	-	-	-	-	-
Profit/(loss) for the financial period	-	-	-	-	-	-	19,525	19,525	(551)	18,974
Other comprehensive (loss)/ income	-	-	-	-	(2,389)	14	-	(2,375)	171	(2,204)
Distribution of subsidiaries (Note A10)	-	-	-	-	(161)	143	(13,135)	(13,153)	(4,587)	(17,740)
Transaction with owners: Dividends provided for or paid (Notes A6 and B10)	-	-	-	-	-	-	(22,250)	(22,250)	-	(22,250)
As at 30 June 2021	<u>2,000,000</u>	<u>197,994</u>	<u>315</u>	<u>(193,528)</u>	<u>(2,695)</u>	<u>257</u>	<u>90,165</u>	<u>92,508</u>	<u>-</u>	<u>92,508</u>

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Ordinary shares		Equity contribution from shareholders	Reverse acquisition reserve ⁽¹⁾	Other reserves	Retained earnings	Total attributable to owners of the Company	Non-controlling interest	Total equity
	Number of shares	Share capital							
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<u>Group</u>									
As at 1 January 2020	100,000	197,994	315	(193,528)	2,626	71,541	78,948	-	78,948
Profit and total comprehensive income for the financial period	-	-	-	-	-	15,619	15,619	-	15,619
Transaction with owners:									
Dividend paid	-	-	-	-	-	(8,000)	(8,000)	-	(8,000)
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	6,434	6,434
Share-based payment expense for the financial period	-	-	-	-	1,250	-	1,250	-	1,250
As at 30 June 2020	100,000	197,994	315	(193,528)	3,876	79,160	87,817	6,434	94,251

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.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	<u>30.6.2021</u>	<u>30.6.2020</u>
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax		
Continuing operations	25,036	16,869
Discontinued operations	(970)	-
	<hr/>	<hr/>
	24,066	16,869
Adjustments for:		
Allowance for impairment of receivables and deposits-net	232	811
Depreciation of property, plant and equipment	3,136	2,561
Depreciation of right-of-use assets	954	759
Amortisation of intangible assets	502	-
Interest income	(81)	(153)
Loss on disposal of property, plant and equipment	-	1
Accretion of provision for restoration costs	5	9
Changes in fair value of contingent consideration payable	181	-
Interest expense	5,162	1,495
Lease interest	57	77
Share-based payment expense	-	1,250
Share of profits of associates	(3,420)	(491)
Defined benefit plan expense	49	-
Unrealised loss/(gain) on foreign exchange	2,933	(3)
	<hr/>	<hr/>
Operating cash flows before working capital changes	33,776	23,185
Changes in working capital:		
Receivables, deposits and prepayments	(1,343)	(1,369)
Payables and accruals	(835)	(205)
Contract liabilities	(560)	(1,003)
Amount due from immediate holding company	(30)	-
Related parties balances	(301)	(1)
	<hr/>	<hr/>
Cash flows generated from operations	30,707	20,607
Interest received	81	153
Defined benefit plan paid	(373)	-
Share-based payment	(113)	-
Tax paid	(1,696)	(391)
Tax refunded	1	-
	<hr/>	<hr/>
Net cash flows generated from operating activities	28,607	20,369

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

		Cumulative Quarter ended	
	Note	30.6.2021	30.6.2020
		RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,137)	(2,169)
Purchase of intangible assets		(430)	-
Dividends received		2,484	-
Acquisition of subsidiary, net of cash acquired	A10	(28,018)	(5,372)
Net cash outflow on distribution of subsidiaries	A10	(3,147)	-
Net cash flows used in investing activities		(31,248)	(7,541)
CASH FLOWS FROM FINANCING ACTIVITIES			
Restricted cash for term loan facility		-	(4,357)
Dividends paid	A6	(22,250)	(8,000)
Drawdown of borrowings		32,000	53,000
Repayment of borrowings		(11,005)	(23,018)
Payment of lease liabilities		(1,046)	(818)
Transaction cost paid		(627)	(806)
Interest paid		(2,641)	(1,285)
Repayment of advances from immediate holding company		-	(14,297)
Net cash flows (used in)/generated from financing activities		(5,569)	419
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(8,210)	13,247
EFFECT OF EXCHANGE RATE CHANGES		127	3
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		16,853	18,739

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

Explanatory Notes on the Quarterly Report – 30 June 2021

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

This condensed consolidated financial information of CTOS Digital Berhad (formerly known as CTOS Holdings Sdn. Bhd.) ("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.

The Group has adopted the following new accounting policies during the financial period ended 30 June 2021:

- **Distribution of non-cash asset**
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 at their carrying amounts to the equity owners of the Company with a corresponding charge to retained earnings.
- **Discontinued operations**
A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

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.

Explanatory Notes on the Quarterly Report – 30 June 2021

A1. Basis of Preparation (continued)

As at 30 June 2021, the Group was in a net current liability position of RM140.8 million which was largely due to the Group's borrowings as at 30 June 2021. The Group's borrowings have been classified as current liabilities as at 30 June 2021 due to the mandatory repayment term in the loan agreements which requires the proceeds from an Initial Public Offering ("IPO") to be utilised to repay the outstanding borrowings in an IPO event. A cash flow forecast for 12 months from 30 June 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.

A2. Seasonal or Cyclical Factors

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

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

There were no significant unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the six months ended 30 June 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 six months ended 30 June 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 30 June 2021.

The Company had also repaid RM11.0 million of its existing borrowings during the six months ended 30 June 2021.

On 10 June 2021, the Company has undertaken a subdivision of the existing 100,000,000 ordinary shares in issue into 2,000,000,000 ordinary shares.

Other than the above, there was no other issuance, repurchase and repayment of debts and equity securities during the six months ended 30 June 2021.

Explanatory Notes on the Quarterly Report – 30 June 2021

A6. Dividend Paid

	Single-tier tax-exempt dividend per share* sen	Amount of dividends, single-tier tax-exempt RM'000
<u>30.6.2021</u>		
Dividends paid in respect of the financial year ended 31 December 2020:		
- second interim ordinary, paid on 21 January 2021	5.25	5,250
- third interim ordinary, paid on 5 April 2021	9.00	9,000
- third interim ordinary, paid on 22 June 2021	8.00	8,000
	<u>22.25</u>	<u>22,250</u>

* Dividend per share is calculated based on 100,000,000 ordinary shares

On 15 June 2021, the Company completed the distribution of 0.75 sen per ordinary share 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 ("Distribution"). CIBI Holdings holds a 51% equity interest in CIBI, a credit bureau incorporated in the Philippines. Upon completion of the Distribution, CIBI Holdings and CIBI ceased to be subsidiaries of the Company. All the assets and liabilities of CIBI Holdings and CIBI have been derecognised and distributed to the owners of the Company based on their carrying values with the corresponding charge to retained earnings.

A7. Segment Reporting

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

- (i) Malaysia which 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 comprehensive commercial credit reports and bulk commercial data sales by Basis to international customers.

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

The performance of the operating segments is measured based on segment profit calculated as profit for the relevant financial year plus tax expense, finance costs, depreciation and amortisation, 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 associates 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.

Explanatory Notes on the Quarterly Report – 30 June 2021

A7. Segment Reporting (continued)

The CODM also reviews the revenue of the Malaysia and International segments by type of customers as disclosed in Note A8. All assets are managed based on their geographical locations. Capital expenditure comprises additions to property, plant and equipment, right-of-use assets ("ROU") and intangible assets.

	30.6.2021				Cumulative Quarter ended		
	RM'000				30.6.2020		
	Malaysia	International	Elimination	Total	Malaysia	International	Total
Continuing operations							
Revenue							
Sales to external customers	72,466	3,338	-	75,804	64,730	-	64,730
Inter-segment sales	135	15	(150)	-	-	-	-
Total revenue	72,601	3,353	(150)	75,804	64,730	-	64,730
Gross profit	63,731	2,796	-	66,527	55,023	-	55,023
Segment profit/(loss)	31,785	2,007	-	33,792	22,421	(15)	22,406
Depreciation and amortisation	(4,022)	(95)	-	(4,117)	(3,320)	-	(3,320)
Finance costs	(5,197)	-	-	(5,197)	(1,581)	-	(1,581)
Interest income	67	12	-	79	153	-	153
Share-based payment expense	-	-	-	-	(1,250)	-	(1,250)
Share of profits of associates	852	2,568	-	3,420	491	-	491
Realised and unrealised (losses)/gains on foreign exchange - net	(2,952)	11	-	(2,941)	(30)	-	(30)
Profit/(loss) before taxation	20,533	4,503	-	25,036	16,884	(15)	16,869
Tax expense	(4,375)	(553)	-	(4,928)	(1,250)	-	(1,250)
Profit/(loss) from continuing operations	16,158	3,950	-	20,108	15,634	(15)	15,619
Discontinued operations							
Loss from discontinued operations				(1,134)			-
Profit for the financial period				18,974			15,619
Assets	152,220	133,285	-	285,505	165,131	13,306	178,437
Other disclosures							
Non-cash item* (other than depreciation and amortisation)	3,021	-	-	3,021	808	-	808
Capital expenditure arising from:							
- acquisition of a subsidiary	-	37,613	-	37,613	-	10,497	10,497
- property, plant and equipment, ROU assets and intangible assets additions	1,890	30	-	1,920	2,169	-	2,169

* 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.

Explanatory Notes on the Quarterly Report – 30 June 2021

A7. Segment Reporting (continued)

Geographical segments

Non-current assets

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

	As at	
	<u>30.6.2021</u>	<u>31.12.2020</u>
	RM'000	RM'000
Malaysia	151,591	115,563
Philippines	-	12,052
Thailand	90,235	92,679
	<u>241,826</u>	<u>220,294</u>

Borrowings and lease liabilities

	As at	
	<u>30.6.2021</u>	<u>31.12.2020</u>
	RM'000	RM'000
Malaysia	158,700	133,682
Philippines	-	889
	<u>158,700</u>	<u>134,571</u>

Information about a major customer

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

A8. Revenue

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

	Cumulative Quarter ended	
<u>Note</u>	<u>30.6.2021</u>	<u>30.6.2020</u>
	RM'000	RM'000
Provision of services	(a)	
- sale of reports	27,341	20,421
- monitoring and trade referencing services	39,530	37,821
- other services	7,700	5,414
- sale of software licenses	501	763
- installation and maintenance services	732	311
	<u>75,804</u>	<u>64,730</u>

Explanatory Notes on the Quarterly Report – 30 June 2021

A8. Revenue (continued)

(a) Revenue from contracts with customers:

	Cumulative Quarter ended	
	<u>30.6.2021</u>	<u>30.6.2020</u>
	RM'000	RM'000
Timing of revenue recognition:		
- at a point in time	34,003	25,192
- over time	41,801	39,538
Revenue from contracts with customers	<u>75,804</u>	<u>64,730</u>

The Group serves three distinct types of customers, namely Key Accounts, Commercial and Direct-to-Consumer. Key Accounts customers comprise the Group's highest revenue-generating customers as well as other selected customers, such as those with complex requirements or well-recognised brands. Commercial customers comprise (i) the Group's Malaysian segment commercial customers other than Key Accounts customers and (ii) all of Basis', a wholly owned subsidiary of the Company, customers which are all commercial customers included within the international segment in Note A7. Direct-to-Consumer comprise the Group's retail consumers.

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

	Cumulative Quarter ended	
	<u>30.6.2021</u>	<u>30.6.2020</u>
	RM'000	RM'000
Type of customers		
- Key Accounts	25,284	23,519
- Commercial - Malaysia	42,018	38,494
- Commercial - International	3,338	-
- Direct-to-Consumer	5,164	2,717
Total	<u>75,804</u>	<u>64,730</u>

A9 Valuations of Property, Plant and Equipment

There were no revaluations of property, plant and equipment during the six months ended 30 June 2021. As at 30 June 2021, all property, plant and equipment were stated at cost less accumulated depreciation.

A10. Changes in the Composition of the Group

1. Acquisition of subsidiary

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:

	<u>Book value</u> RM'000	<u>Fair value</u> 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	<u>4,046</u>	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		<u>28,018</u>

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.

A10. Changes in the Composition of the Group (continued)

1. Acquisition of subsidiary (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 30 June 2021 amounted to RM3.4 million and RM1.4 million, respectively and would not have been materially different if the acquisition had occurred on 1 January 2021.

2. Disposal of associate

On 11 February 2021, CIBI, a 51% owned subsidiary of CIBI Holdings, 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.

3. Distribution of subsidiaries

On 15 June 2021, the Company completed the distribution 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 (“Distribution”). CIBI Holdings holds a 51% equity interest in CIBI, a credit bureau incorporated in the Philippines. Upon completion of the Distribution, CIBI Holdings and CIBI ceased to be subsidiaries of the Company. All the assets and liabilities of CIBI Holdings and CIBI are derecognised and distributed to the owners of the Company based on their carrying values with the corresponding charge to retained earnings.

Details of net assets and net cash outflow arising from the distribution of the subsidiaries are as follows:

	RM'000
Total net assets	17,740
Less: Non-controlling interest	(4,587)
Net assets of subsidiaries	13,153
Other reserves transferred to retained earnings	(18)
Total charge to retained earnings	13,135
Cash and cash equivalents of subsidiaries	3,147
Net cash outflow of the Group on distribution of subsidiaries	3,147

Other than the above, there were no changes in the composition of the Group during the six months ended 30 June 2021.

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A11. Material Events Subsequent to the Financial Period

The Company launched its IPO and issued its prospectus in relation to the IPO on 30 June 2021 ("Prospectus"). The IPO involves the offering of 1,100,000,000 ordinary shares in the Company in conjunction with the listing of and quotation for the entire enlarged issued shares in the Company ("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") (collectively "the Listing"). Further details of the IPO are set out in the Prospectus of the Company dated 30 June 2021.

On 8 July 2021, the Company announced that both Institutional Price and final retail price have been fixed at RM1.10 per IPO share.

The date of the Listing is 19 July 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.

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 30 June 2021. Furthermore, CDS's obligation from this claim, if any, is unable to be measured reliably as at 30 June 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 30 June 2021. Furthermore, CDS's obligation from this claim, if any, is unable to be measured reliably as at 30 June 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 30 June 2021.

Explanatory Notes on the Quarterly Report – 30 June 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	
	30.6.2021	31.12.2020
	RM'000	RM'000
<u>Contracted</u>		
- property, plant and equipment	327	356
- intangible assets	3,169	2,253
- investment in subsidiary	-	42,280
	<u>3,496</u>	<u>44,889</u>

A14. Significant Related Party Transactions

The related party transactions described below were carried out on agreed terms with the related parties.

	Transactions for the period ended	Balances as at
	30.6.2021	30.6.2021
	RM'000	RM'000
<u>Group</u>		
Professional fees		
- Credisense Limited ("Credisense")	<u>371</u>	<u>71</u>
Outsourcing services		
- Outsource Network Contact Center and Back Office Services Inc. ("ONET")	<u>66</u>	<u>-</u>

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 former subsidiary, CIBI, provides outsourcing services such as contact center, human capital management and accounting services to CIBI.

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A15. Fair Value Measurements

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

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

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

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

- a) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group approximated their fair values as at 30 June 2021.

- b) Financial instruments carried at fair value

The following table represents the liabilities measured at fair value, using the respective valuation techniques, as at 30 June 2021:

	<u>Level 3</u> RM'000
Contingent consideration	9,626

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 of the significant unobservable inputs used in level 3 fair value measurements:

<u>Description</u>	<u>Fair value at 30 June 2021</u> RM'000	<u>Unobservable inputs</u>	<u>Range of inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
Contingent consideration	9,626	Risk-adjusted discount rate	3.92%	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.

Explanatory Notes on the Quarterly Report – 30 June 2021

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

B1. Review of Group Performance

	Cumulative Quarter ended		%
	30.6.2021	30.6.2020	+/(–)
	RM'000	RM'000	
Revenue			
Malaysia	72,466	64,730	12.0
International	3,338	-	-
	<u>75,804</u>	<u>64,730</u>	17.1
Segment profit/(loss)			
Malaysia	31,785	22,421	41.8
International	2,007	(15)	-
	<u>33,792</u>	<u>22,406</u>	50.8
Profit before tax ("PBT")	25,036	16,869	48.4
Profit/(loss) for the period			
Continuing operations	20,108	15,619	28.7
Discontinued operations	(1,134)	-	-
	<u>18,974</u>	<u>15,619</u>	21.5
Profit/(loss) attributable to Owners of the Company ("PATAMI")			
Continuing operations	20,108	15,619	28.7
Discontinued operations	(583)	-	-
	<u>19,525</u>	<u>15,619</u>	25.0

Reconciliation of PATAMI to Normalised PATAMI:

PATAMI	19,525	15,619	25.0
Add:			
Losses from CIBI Holdings and CIBI	583	15	
Costs related to our acquisitions of CIBI and Basis	96	89	
Share-based payment expense	-	1,250	
Interest expense on bank borrowings	5,157	1,479	
Unrealised foreign exchange losses on USD borrowings	2,920	-	
Incremental income tax expense	3,075	-	
	<u>31,356</u>	<u>18,452</u>	69.9
Normalised PATAMI – Note 1			

Note 1 - Normalised PATAMI is calculated as profit for the financial period attributable to owners of the Company plus (i) losses from CIBI and CIBI Holdings ; (ii) costs related to our acquisitions of CIBI (for the financial period ended ("FPE") 30 June 2020) and Basis (for the FPE 30 June 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 30 June 2021 (refer to note B6 for more details)

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B1. Review of Group Performance (continued)

The Group reported a revenue of RM75.8 million (net of CCRIS fee waiver of RM6.2 million as Bank Negara Malaysia (“BNM”) allowed free access to its CCRIS database) for the six months ended 30 June 2021, 17.1% higher compared to the revenue of RM64.7 million in the corresponding period of the previous year. PBT increased by 48.4% to RM25.0 million from RM16.9 million in the corresponding period of the previous year.

Total segment profit for the financial period of RM33.8 million, was a 50.8% or RM11.4 million increase from RM22.4 million in the previous corresponding period contributed by the strong performance from Malaysia operations and profit from International operations.

The profit from Malaysia operations increased by RM9.4 million or 41.8% to RM31.8 million from RM22.4 million in the previous corresponding period contributed by the 12.0% increase in revenue to RM72.5 million from RM64.7 million in the previous corresponding period and lower operating expenses, mainly in advertising and promotion. Revenue was higher for all the 3 types of customers (namely Key Accounts, Commercial – Malaysia and Direct-to-Consumer), driven by strong growth in new CTOS Credit Manager subscribers as well as strong demand for CTOS Data Systems Reports and digital solutions. This was despite the implementation of continuous MCOs in Malaysia during the six months ended 30 June 2021 compared to the MCO which began from 18 March 2020 in the same period last year and CCRIS fee waivers (RM6.2 million in the current financial period compared to RM1.3 million in June 2020, ie the month when the CCRIS fee waiver started).

The International operations contributed revenue of RM3.3 million and segment profit of RM2.0 million in the current period following the acquisition of the entire equity interest of Basis in January 2021.

Profit before tax for the Group increased by 48.4% or RM8.2 million, to RM25.0 million in the current period contributed by the higher share of profits of associates of RM2.9 million mainly due to the contribution from Business Online Public Company Limited (“BOL”), our associate in Thailand which was acquired in October 2020, offset by higher finance costs and unrealised foreign exchange losses of RM2.9 million on our USD borrowings. Finance costs increased to RM5.2 million due to the higher borrowings to finance the acquisition of our investments as well as the acceleration of amortisation of transaction costs related to the borrowings.

Profit for the period increased by 21.5% or RM3.4 million to RM19.0 million from RM15.6 million in the corresponding period due to the loss from discontinued operations of RM1.1 million and 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 30 June 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 current cumulative quarter is 15.2%. The results of CIBI Holdings and CIBI has been classified as discontinued operations following the completion of the distribution by way of dividend-in-specie of the ordinary shares in CIBI Holdings held by the Company on 15 June 2021 (see Note A10).

PATAMI increased by RM3.9 million or 25.0% to RM19.5 million from RM15.6 million in the corresponding period after adjusting for loss attributable to non-controlling interests of RM0.6 million.

Normalised PATAMI increased by 69.9% or RM12.9 million to RM31.4 million from RM18.5 million in the corresponding period attributable to the strong performance from the Malaysia operations and the profit contribution from our 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

	<u>30.6.2021</u>	Quarter ended <u>31.03.2021</u>	%
	RM'000	RM'000 (Restated)	+ / (-)
Revenue			
Malaysia	36,507	35,959	1.5
International	<u>1,342</u>	<u>1,996</u>	(32.8)
	37,849	37,955	(0.3)
Segment profit			
Malaysia	15,526	16,259	(4.5)
International	<u>610</u>	<u>1,397</u>	(56.3)
	16,136	17,656	(8.6)
PBT	<u>14,479</u>	<u>10,557</u>	37.2

The Group registered a revenue of RM37.8 million for the current quarter, a marginal decrease of 0.3% or RM0.1 million compared to the preceding quarter revenue of RM38.0 million. Malaysia operations generated a moderate growth despite a full month lockdown in several states while International operations had a 32.8% reduction in revenue due to a one-off portfolio review project recorded in Q1 2021.

Total segment profit decreased by 8.6% or RM1.5 million to RM16.1 million from RM17.7 million in the preceding quarter.

The profit from Malaysia operations decreased by 4.5%, despite the higher revenue mainly due to higher operating expenses largely in staff related costs and advertising and promotion. Revenue was 1.5% higher contributed by the 3 types of customers, namely Key Account, Commercial and Direct-to-Consumer with 2.0%, 1.0% and 3.7% growth respectively. These were attributed to growth in sale of digital solutions and CTOS Data Systems reports and new CTOS Credit Manager subscribers.

The International operations recorded a lower profit of RM0.6 million compared to RM1.4 million in the preceding quarter mainly due to the lower revenue in the current quarter.

Group PBT increased by 37.2% or RM3.9 million attributed to the unrealised foreign exchange gain of RM0.2 million on our USD borrowings in the current quarter compared to an unrealised foreign exchange loss of RM3.1 million in the preceding quarter and lower finance costs in the current quarter due to lower amortisation of transaction costs related to the borrowings.

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. For CTOS Digital, MCO 3.0 has seen a decline in SME activations as SME business premises are closed in most states, however as with MCO 1.0 as and when the businesses begin to open, we expect a quick rebound of activations from pent up demand. In the Key Account segment, we are seeing some slowdown in traditional transactional revenues. 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, to a degree, compensate for this slow down and will continue on its solid growth path.

Our associate companies are expected to continue to perform according to expectations and the Group will still look for opportunities within the Asia Pacific region as well as within Malaysia for investment.

Barring any unforeseen circumstances, the Board is optimistic that the medium to long term outlook for the Group is positive with potential upside 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		Cumulative Quarter ended	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment of receivables - net	63	644	232	811
Depreciation of property, plant and equipment	1,540	1,317	3,136	2,561
Depreciation of right-of-use assets	456	378	954	759
Realised (gain)/loss on foreign exchange	(22)	15	42	33
Unrealised (gain)/loss on foreign exchange	(141)	(3)	2,933	(3)
Bad debts recovered	(7)	-	(29)	-
Amortisation of intangible assets	230	-	502	-
Interest income	(36)	(90)	(81)	(153)

Other than as presented in the condensed consolidated statements of comprehensive income and as disclosed above, there were no material gains/losses on disposal of quoted and unquoted investments or properties and other exceptional items for the financial period ended 30 June 2021.

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B6. Tax Expense

	Quarter ended		Cumulative Quarter ended	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Current tax				
- current year	3,325	625	5,939	1,250
Deferred tax				
- origination and reversal of temporary differences	(865)	-	(1,011)	-
	2,460	625	4,928	1,250
Discontinued operations	14	-	164	-
	2,474	625	5,092	1,250

The Group's effective tax rate for the current quarter and six months ended 30 June 2021 was 17.0% and 19.7% respectively, lower than the statutory tax rate of 24% mainly due to the share of profits of associates and the tax incentive enjoyed by CDS. CDS is entitled to pioneer status incentives under the Promotion of Investments Act ("PIA") 1986 for MSC Malaysia Qualifying Activities. As a result, certain CDS 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 MSC Malaysia Status Services Incentive Guideline. The Company is of the view that CDS will be able to meet the conditions and has submitted its application for approval to continue to enjoy the tax incentives during the Transitional Period based on the timeline stipulated by MDEC. Pending approval from MDEC, an annual effective tax rate has been used to compute CDS's tax expense for the six months period ended 30 June 2021 taking into consideration the expiry date of the tax incentive and the tax rates and tax laws substantially enacted as at 30 June 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	30.6.2021 RM'000	As at 31.12.2020 RM'000
<u>Secured</u>			
<u>Current</u>			
Term loan	USD	84,719	87,558
Term loan	RM	73,420	44,762
Total borrowings		158,139	132,320

Material changes to borrowings for the six months ended 30 June 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

The Board of Directors has declared a first interim single tier dividend of 0.533 sen per ordinary share in respect of the financial year ending 31 December 2021, which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act 1967, to be paid on 3 September 2021. The entitlement date for the dividend payment is 6 August 2021.

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

- (i) shares transferred into the depositor's securities account before 4.30 pm on 6 August 2021 in respect of transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

B11. Financial Liabilities

The Group recognised fair value loss of RM0.2 million during the six months ended 30 June 2021 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.

Explanatory Notes on the Quarterly Report – 30 June 2021

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 after the completion of the subdivision of the Company's 100,000,000 shares in issue to 2,000,000,000 shares on 10 June 2021 as disclosed in Note A5.

	Quarter ended		Cumulative Quarter ended	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
Profit/(loss) attributable to the owners of the Company (RM'000)				
- Continuing operations	12,019	7,504	20,108	15,619
- Discontinued operations	(179)	-	(583)	-
	<u>11,840</u>	<u>7,504</u>	<u>19,525</u>	<u>15,619</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Basic earnings per ordinary share (sen)				
- Continuing operations	0.6	0.4	1.0	0.8
- Discontinued operations	*	-	*	-
	<u>0.6</u>	<u>0.4</u>	<u>1.0</u>	<u>0.8</u>

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B12. 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.

	Quarter ended		Cumulative Quarter ended	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
Profit/(loss) attributable to the owners of the Company (RM'000)				
- Continuing operations	12,019	7,504	20,108	15,619
- Discontinued operation	(179)	-	(583)	-
	<u>11,840</u>	<u>7,504</u>	<u>19,525</u>	<u>15,619</u>
Weighted average number of ordinary shares in issue ('000)	2,000,000	2,000,000	2,000,000	2,000,000
Adjusted for Employee Share Option Scheme ("ESOS") ('000)	-	655	-	655
	<u>2,000,000</u>	<u>2,000,655</u>	<u>2,000,000</u>	<u>2,000,655</u>
Diluted earnings per ordinary share (sen)				
- Continuing operations	0.6	0.4	1.0	0.8
- Discontinued operation	*	-	*	-
	<u>0.6</u>	<u>0.4</u>	<u>1.0</u>	<u>0.8</u>

* Negligible

By order of the Board

Joanne Toh Joo Ann
Company Secretary
16 July 2021
Kuala Lumpur