

CTOS DIGITAL BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Quarter ended		% + / (-)
		<u>31.3.2023</u> RM'000	<u>31.3.2022</u> RM'000	
Revenue	A8	59,594	42,679	39.6
Cost of sales		<u>(12,054)</u>	<u>(6,278)</u>	92.0
Gross profit		47,540	36,401	30.6
Other expense		(250)	(98)	155.1
Selling and marketing expenses		(8,693)	(7,581)	14.7
Administrative expenses		(17,249)	(13,918)	23.9
Finance income		100	81	23.5
Finance costs		(1,724)	(683)	152.4
Share of profits of associates		<u>2,216</u>	<u>2,405</u>	(7.9)
Profit before tax	B5	21,940	16,607	32.1
Tax expense	B6	<u>(5,363)</u>	<u>(4,132)</u>	29.8
Profit for the financial period		<u>16,577</u>	<u>12,475</u>	32.9
Other comprehensive income/(loss):				
Items that will be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations		2,180	371	487.6
Share of other comprehensive loss of associate accounted for using equity method		-	(47)	(100.0)
Items that will not be subsequently reclassified to profit or loss:				
Share of other comprehensive loss of associate accounted for using equity method		-	(58)	(100.0)
Other comprehensive income for the financial period		<u>2,180</u>	<u>266</u>	719.5
Total comprehensive income for the financial period		<u>18,757</u>	<u>12,741</u>	47.2
Earnings per share for profit attributable to ordinary equity holders of the Company				
- Basic/Diluted (sen)	B12	<u>0.7</u>	<u>0.6</u>	16.7

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 2021 and the accompanying explanatory notes and unaudited condensed consolidated financial information for the financial year ended 31 December 2022.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31.3.2023 RM'000	As at 31.12.2022 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		14,646	15,805
Right-of-use assets		2,633	3,033
Intangible assets		83,176	81,803
Investments in associates		557,449	570,961
Receivables, deposits and prepayments		554	554
Deferred tax assets		1,160	972
TOTAL NON-CURRENT ASSETS		659,618	673,128
CURRENT ASSETS			
Receivables, deposits and prepayments		51,471	40,134
Other investments	A15	6,617	5,048
Amount due from related parties		386	2
Tax recoverable		61	33
Cash and bank balances		9,350	12,407
TOTAL CURRENT ASSETS		67,885	57,624
CURRENT LIABILITIES			
Payables and accruals		28,894	31,849
Contract liabilities		8,198	7,508
Lease liabilities		1,622	1,606
Contingent consideration	A15	12,211	12,157
Amount due to related parties		1,351	100
Borrowings		-	9,972
Taxation		21,156	16,294
TOTAL CURRENT LIABILITIES		73,432	79,486
NET CURRENT LIABILITIES		(5,547)	(21,862)
NON-CURRENT LIABILITIES			
Lease liabilities		1,082	1,493
Deferred tax liabilities		-	71
Provision for restoration costs		682	678
Borrowings		132,331	139,489
TOTAL NON-CURRENT LIABILITIES		134,095	141,731
NET ASSETS		519,976	509,535
EQUITY			
Share capital		584,047	584,047
Reverse acquisition reserve		(193,528)	(193,528)
Equity contribution from shareholder		315	315
Other reserves		(3,260)	(5,440)
Retained earnings		132,402	124,141
TOTAL EQUITY		519,976	509,535
Net assets per share attributable to Owners of the Company (RM)		0.23	0.22

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 2021 and the accompanying explanatory notes and unaudited condensed consolidated financial information for the financial year ended 31 December 2022.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary shares		Equity contribution from shareholders	Reverse acquisition reserve ⁽¹⁾	Other reserves		Retained earnings	Total equity
	Number of shares	Share capital			Foreign currency translation reserve	Fair value reserve		
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2023	2,310,000	584,047	315	(193,528)	(5,625)	185	124,141	509,535
Profit for the financial period	-	-	-	-	-	-	16,577	16,577
Other comprehensive income	-	-	-	-	2,180	-	-	2,180
Transaction with owners: Dividends paid (Note A6)	-	-	-	-	-	-	(8,316)	(8,316)
As at 31 March 2023	2,310,000	584,047	315	(193,528)	(3,445)	185	132,402	519,976
As at 1 January 2022	2,200,000	412,524	315	(193,528)	(6,669)	243	94,851	307,736
Issuance of new shares	110,000	173,800	-	-	-	-	-	173,800
Share issuance expenses	-	(2,159)	-	-	-	-	-	(2,159)
Profit for the financial period	-	-	-	-	-	-	12,475	12,475
Other comprehensive income/(loss)	-	-	-	-	337	(27)	(44)	266
Transaction with owners: Dividends paid	-	-	-	-	-	-	(7,260)	(7,260)
As at 31 March 2022	2,310,000	584,165	315	(193,528)	(6,332)	216	100,022	484,858

Note:

⁽¹⁾ The reverse acquisition reserve was created during the acquisition of CTOS Business Systems Sdn. Bhd. ("CBS"), CTOS Data Systems Sdn. Bhd. ("CDS") and Automated Mail Responder Sdn. Bhd. ("AMR") by the Company in 2014. CBS was identified as the accounting acquirer in accordance with MFRS 3 "Business Combination". The difference between the issued equity of the Company and issued equity of CBS together with the deemed purchase consideration of subsidiaries other than CBS is recorded as reverse acquisition reserve.

The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes and unaudited condensed consolidated financial information for the financial year ended 31 December 2022.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>Note</u>	<u>Quarter ended</u>	
		<u>31.3.2023</u>	<u>31.3.2022</u>
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		21,940	16,607
Adjustments for:			
Reversal of impairment of receivables – net		(505)	(305)
Depreciation of property, plant and equipment		1,301	1,319
Depreciation of right-of-use assets		400	399
Amortisation of intangible assets		675	264
Interest income		(31)	(16)
Distribution income from money market funds		-	(61)
Fair value gain on other investments		(69)	(4)
Accretion of provision for restoration costs		4	5
Changes in fair value of contingent consideration payable		54	81
Interest expense		1,692	635
Lease interest		28	43
Share of profits of associates		(2,216)	(2,405)
Unrealised loss on foreign exchange		13	35
Operating cash flows before working capital changes		23,286	16,597
Changes in working capital:			
Receivables, deposits and prepayments		(10,825)	(2,338)
Payables and accruals		(709)	(1,859)
Contract liabilities		690	(464)
Related parties balances		(924)	504
Cash flows generated from operations		11,518	12,440
Interest received		31	16
Tax paid		(788)	(962)
Dividends received		17,908	-
Net cash flows generated from operating activities		28,669	11,494
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(220)	(1,593)
Purchase of intangible assets		(2,425)	(669)
Distribution income from money market funds		94	114
Investments in associates		-	(232,049)
Purchase of other investment		-	(10,500)
Investment in money market funds – net		(1,569)	(4)
Net cash flows used in investing activities		(4,120)	(244,701)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	<u>Note</u>	<u>Quarter ended</u>	
		<u>31.3.2023</u>	<u>31.3.2022</u>
		RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Restricted cash for term loan facility		66	-
Proceeds from issuance of shares		-	173,800
Payment of share issuance expenses		-	(2,159)
Dividends paid	A6	(8,316)	(7,260)
Drawdown of borrowings		-	120,000
Repayment of borrowings		(17,303)	(50,000)
Payment of lease liabilities		(423)	(424)
Transaction costs paid		(3)	(1,293)
Interest paid		(1,516)	(131)
Net cash flows (used in)/generated from financing activities		(27,495)	232,533
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,946)	(674)
EFFECT OF EXCHANGE RATE CHANGES		(44)	(42)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD		10,714	17,131
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD		7,724	16,415

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 2021 and the accompanying explanatory notes and unaudited condensed consolidated financial information for financial year ended 31 December 2022.

Explanatory Notes on the Quarterly Report – 31 March 2023

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 2021 and unaudited condensed consolidated financial information for the financial year ended 31 December 2022.

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 2021 and unaudited condensed consolidated financial information for financial year ended 31 December 2022 except for the adoption of the following amendment to published standard:

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

The adoption of the amendments did not have any impact on the Group.

Amendments to MFRS that are applicable to the Group but not yet effective

The Malaysian Accounting Standards Board had issued the following amendments to MFRS of which are effective for the financial period beginning on or after 1 January 2024.

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

The Group did not early adopt these amendments to MFRS and they are not expected to have a material impact to the Group.

A2. Seasonal or Cyclical Factors

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

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

There were no significant unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the financial period ended 31 March 2023.

A4. Material Changes in Estimates

There were no changes in estimates which had a material effect in the financial period ended 31 March 2023.

Explanatory Notes on the Quarterly Report – 31 March 2023

A5. Debts and Equity Securities

There was no other issuance, repurchase and repayment of debts and equity securities during the financial period ended 31 March 2023.

A6. Dividends Paid

	Single-tier tax-exempt dividend <u>per share</u> sen	Amount of dividends, single-tier <u>tax-exempt</u> RM'000
<u>31.3.2023</u>		
Dividends paid in respect of the financial year ended 31 December 2022:		
- fourth interim dividend, paid on 15 March 2023	0.36	8,316

A7. Segment Reporting

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

- (i) Malaysia which comprises the provision of credit reporting services (sale of reports, monitoring and trade referencing services and other services), sale of software licenses and provision of installation and maintenance services to 3 types of customers, namely Key Accounts, Commercial and Direct-to-Consumer; and
- (ii) International which comprises the provision of comprehensive commercial credit reports and bulk commercial data sales to international customers.

The performance of the operating segments is measured based on segment profit calculated as profit for the relevant financial year plus tax expense, finance costs, depreciation and amortisation and foreign exchange losses less interest income, foreign exchange gains and share of profits of associates.

The share of results of associates represents the following:

- (i) business of a credit reporting, credit bureau and information services, a provider of credit enterprise software in Malaysia and a provider of independent credit rating services, sustainability rating services, environment, social and government analytics, data analytics, economic research and consultancy services, bond pricing and information services as well as credit opinions on ventures listed on the Investment Account Platform; and
- (ii) business of a service provider, developer of local and global financial information system and as an online and offline business information service provider as well as consulting service and database management in Thailand;

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

Explanatory Notes on the Quarterly Report – 31 March 2023

A7. Segment Reporting (continued)

	31.3.2023				Quarter ended 31.3.2022			
	Malaysia	International	Elimination	Total RM'000	Malaysia	International	Elimination	Total RM'000
Revenue								
Sales to external customers	56,050	3,544	-	59,594	40,180	2,499	-	42,679
Inter-segment sales	942	102	(1,044)	-	48	42	(90)	-
Total revenue	56,992	3,646	(1,044)	59,594	40,228	2,541	(90)	42,679
Gross profit	44,453	3,087	-	47,540	34,340	2,061	-	36,401
Segment profit	21,570	2,358	-	23,928	15,266	1,561	-	16,827
Depreciation and amortisation	(2,210)	(166)	-	(2,376)	(1,937)	(45)	-	(1,982)
Finance costs	(1,724)	-	-	(1,724)	(683)	-	-	(683)
Finance income	86	14	-	100	79	2	-	81
Share of profits of associates	119	2,097	-	2,216	803	1,602	-	2,405
Realised and unrealised (losses)/gains on foreign exchange - net	(51)	(153)	-	(204)	(53)	12	-	(41)
Profit before taxation	17,790	4,150	-	21,940	13,475	3,132	-	16,607
Tax expense	(4,814)	(549)	-	(5,363)	(3,765)	(367)	-	(4,132)
Profit for the financial period	12,976	3,601	-	16,577	9,710	2,765	-	12,475
Segment assets	534,300	197,691	-	731,991	418,571	186,772	-	605,343
Other disclosures								
Non-cash item* (other than depreciation and amortisation)	(504)	12	-	(492)	(260)	(10)	-	(270)
Capital expenditure arising from property, plant and equipment, ROU assets and intangible assets additions	1,552	638	-	2,190	290	-	-	290

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

Explanatory Notes on the Quarterly Report – 31 March 2023

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.

	<u>As at</u>	
	<u>31.3.2023</u>	<u>31.12.2022</u>
	RM'000	RM'000
Malaysia	513,853	526,505
Thailand	149,374	145,097
	<u>663,227</u>	<u>671,602</u>

Borrowings and lease liabilities

	<u>As at</u>	
	<u>31.3.2023</u>	<u>31.12.2022</u>
	RM'000	RM'000
Malaysia	135,035	152,560

Information about a major customer

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

A8. Revenue

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

		<u>Quarter ended</u>	
	<u>Note</u>	<u>31.3.2023</u>	<u>31.3.2022</u>
		RM'000	RM'000
Provision of services	(a)		
- digital reports		26,841	16,565
- subscriptions and monitoring services		23,133	20,398
- comprehensive portfolio review and analytics		6,405	3,490
- digital solutions		3,215	2,226
		<u>59,594</u>	<u>42,679</u>

Explanatory Notes on the Quarterly Report – 31 March 2023

A8. Revenue (continued)

a) Revenue from contracts with customers:

	Quarter ended	
	<u>31.3.2023</u>	<u>31.3.2022</u>
	RM'000	RM'000
Timing of revenue recognition:		
- at a point in time	34,731	21,189
- over time	24,863	21,490
	<u>59,594</u>	<u>42,679</u>
Revenue from contracts with customers	<u>59,594</u>	<u>42,679</u>

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

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

	Quarter ended	
	<u>31.3.2023</u>	<u>31.3.2022</u>
	RM'000	RM'000
Type of customers		
- Key Accounts	25,716	15,447
- Commercial – Malaysia	24,953	21,450
- Commercial – International	3,544	2,499
- Direct-to-Consumer	5,381	3,283
	<u>59,594</u>	<u>42,679</u>
Total	<u>59,594</u>	<u>42,679</u>

A9 Valuations of Property, Plant and Equipment

There were no revaluations of property, plant and equipment during the financial period ended 31 March 2023. As at 31 March 2023, all property, plant and equipment were stated at cost less accumulated depreciation.

A10. Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial period ended 31 March 2023.

A11. Material Events Subsequent to the Financial Period

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

A12. Contingent Liabilities or Contingent Assets

In the normal course of business, there are contingent liabilities arising from legal recourse sought on the Group's credit reporting operations. There were no material losses anticipated as a result of these transactions.

- a) In January 2020, CDS, a wholly owned subsidiary of the Company was served a legal notice by a Plaintiff on the basis of an alleged negligence in reporting credit information. CDS reiterates through its defence that it is a licensed entity under the Credit Reporting Agencies Act 2010 (Act) and has conducted its business pursuant to and in compliance of the Act. The Court has fixed the matter for Full Trial on 11 and 12 May 2023.
- b) In February 2022, CDS was served a legal notice by a Plaintiff on the basis of an alleged inaccuracy in reporting credit information and that the said reporting was not consented. CDS reiterates through its defence that it is a licensed entity under the Act and has conducted its business pursuant to and in compliance of the Act. The Court had dismissed the Plaintiff's Application for Summary Judgement. On 31 January 2023, the Plaintiff had withdrawn the case against CDS without liberty to file afresh.
- c) In July 2022, a Plaintiff filed an action seeking for a Court Order and/or Injunction against CDS (First Defendant) to delete and/or withdraw the credit information under the "Special Attention Account" status in his credit report that relates to the "Temporary Overdraft" facility granted by a financial institution (Second Defendant) to the Plaintiff. In addition, the Plaintiff further seeks an Order against the Second Defendant to withdraw the publication and/or any upload of credit information under the "Special Attention Account" status relating to the "Temporary Overdraft" facility in CDS and other credit reporting agency in Malaysia including Bank Negara Malaysia (BNM) through BNM CCRIS database. The Court has fixed the matter for the delivery of Decision on 28 April 2023.
- d) In October 2022, CDS was served with a Writ Summon by a Plaintiff claiming negligence in CDS' credit report which had contained the Plaintiff's bankruptcy proceeding that was annulled by the Court. The Plaintiff seeks damages, a public apology and an order to restrain CDS from making and/or publishing the information. CDS maintained that it has the right to publish the bankruptcy proceeding and the status update on the annulment in the credit report within the timeframe as allowed under the Act. The Court has fixed the matter for Hearing of the Plaintiff's application to amend its Statement of Claim on 16 May 2023.
- e) On 20 January 2023, CDS was served with a Writ Summons as the Fourth Defendant whereby the Plaintiff alleged negligence and/or conspiracy to injure its interests through the electronic trade reference (eTR) listing. The Plaintiff seeks injunction against the CDS' Subscriber and its Directors (First, Second and Third Defendants). The Plaintiff further seeks damages, losses, interests and costs from all the Defendants including CDS. CDS maintains that it has conducted its business pursuant to and in compliance of the Act. CDS further maintains that the disclosure of the Plaintiff's eTR data to others (if any) can only be made with the consent of the Plaintiff. CDS will seek indemnity against the First Defendant in the event of any breach of the Subscription Agreement. The matter was resolved amicably with the Plaintiff withdrawing the matter against CDS with no order as to cost on 16 March 2023.

The Management has seek external legal advice on these litigation cases. The Board and Management have been advised that the Group has a fair chance in successfully defending the cases based on past precedents and no provisions are required in the condensed consolidated financial information as at 31 March 2023. Furthermore, CDS' obligations from these claims, if any, are unable to be measured reliably as at 31 March 2023.

There were no other material changes in the contingent liabilities or contingent assets since the last financial year ended 31 December 2022.

A13. Capital Commitments

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

	<u>31.3.2023</u>	<u>As at</u> <u>31.12.2022</u>
	RM'000	RM'000
<u>Contracted</u>		
- property, plant and equipment	1,592	808
- intangible assets	2,794	2,011
	<u>4,386</u>	<u>2,819</u>

A14. Significant Related Party Transactions

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

	Transactions for the period ended <u>31.3.2023</u>	Balances as at <u>31.3.2023</u>
	RM'000	RM'000
<u>Group</u>		
Purchase of services		
- Software services from Juris Technologies Sdn Bhd (“JurisTech”)	36	1,351
Sale of services		
- Advisory and support services to CIBI Holdings Pte Ltd (“CIBI Holdings”)	1,150	383

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

- (i) JurisTech, being an associate to the Group is principally engaged in predictive artificial intelligence module, debt collection software, loan origination management, credit scoring solution, plus conveyancing and loan documentation systems. JurisTech has been providing technology and support services to CDS pursuant to a collaboration agreement to carry out business requirements study, customising, implementing, testing, and rolling out the product and services.
- (ii) CIBI Holdings, being an entity connected to certain directors of the Company, is an investment holding company. CDS provides advisory and support services relating to credit bureaus to CIBI Holdings from September 2021.

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 2023.

- b) Financial instruments carried at fair value

The following table represents the assets and liabilities measured at fair value, using the respective valuation techniques, as at 31 March 2023:

	<u>Level 1</u> RM'000	<u>Level 3</u> RM'000
<u>Current asset</u>		
Other investments		
- Investment in money market funds	6,617	-
	<u> </u>	<u> </u>
<u>Current liability</u>		
Contingent consideration	-	12,211
	<u> </u>	<u> </u>

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

The fair value of the contingent consideration is calculated as the present value of estimated future cash flow using a discount rate that is adjusted for projection and credit risk. Fair value gain and loss is presented in profit or loss within other income/expense.

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

B1. Review of Group Performance

	Quarter ended		%
	<u>31.3.2023</u>	<u>31.3.2022</u>	
	RM'000	RM'000	
Revenue			
Malaysia	56,050	40,180	39.5
International	3,544	2,499	41.8
	<u>59,594</u>	<u>42,679</u>	39.6
Segment profit			
Malaysia	21,570	15,266	41.3
International	2,358	1,561	51.1
	<u>23,928</u>	<u>16,827</u>	42.2
Profit before tax ("PBT")	21,940	16,607	32.1
Profit for the financial period ("PAT")	<u>16,577</u>	<u>12,475</u>	32.9
Reconciliation of PAT to Normalised PAT:			
PAT	16,577	12,475	32.9
Add:			
Costs related to acquisitions	54	687	
Incremental income tax expense	4,142	3,099	
Normalised PAT – Note 1	<u>20,773</u>	<u>16,261</u>	27.7

Note 1 – Normalised PAT is calculated as profit for the financial period attributable to owners of the Company plus (i) costs related to our acquisitions of RAM, JurisTech, CTOS Basis and additional investment in BOL and (ii) incremental income tax expense of CDS recognised based on the statutory tax rate of 24% as compared to the tax payable by CDS in accordance with the tax exemption granted for the tax relief period under the Pioneer Status incentives (refer to note B6 for more details)

The Group's revenue for the first quarter ended 31 March 2023 of RM59.6 million was 39.6% higher compared to the revenue of RM42.7 million in the corresponding period of the previous year. PBT increased by 32.1% to RM21.9 million in the current quarter from RM16.6 million in the corresponding period of the previous financial year.

The Malaysia operations recorded a 41.3% growth in segment profit to RM21.6 million driven by the strong growth in revenue. Revenue grew by 39.5% in the current quarter to RM56.1 million compared to RM40.2 million a year ago, with higher revenue from all the for all 3 types of customers (namely Key Accounts, Commercial – Malaysia and Direct-to-Consumer). Key Accounts and Direct-to-Consumer recorded strong growth of 66.5% and 63.9% respectively driven by strong demand for CTOS Data Systems Reports, digital solutions and comprehensive portfolio review and analytics services.

The International operations recorded a 41.8% higher revenue to RM3.5 million and 51.1% higher segment profit to RM2.4 million in the current quarter contributed by the higher bulk data sales.

Explanatory Notes on the Quarterly Report – 31 March 2023

B1. Review of Group Performance (continued)

PBT for the Group increased by 32.1% or RM5.3 million, to RM21.9 million in the current quarter attributable to the strong performance from the operations but offset by the slightly lower share of profits of associates and higher finance costs.

Profit after tax increased by 32.9% or RM4.1 million to RM16.6 million from RM12.5 million in the corresponding period of the previous year.

Normalised PAT increased by 27.7% or RM4.5 million to RM20.8 million in the current quarter from RM16.3 million in the corresponding period of the previous financial year attributed mainly to the growth in our segment profit.

B2. Comparison with Immediate Preceding Quarter

	Quarter ended		%
	<u>31.3.2023</u>	<u>31.12.2022</u>	
	RM'000	RM'000	
Revenue			
Malaysia	56,050	49,388	13.5
International	3,544	3,355	5.6
	<u>59,594</u>	<u>52,743</u>	13.0
Segment profit			
Malaysia	21,570	11,951	80.4
International	2,358	2,051	15.0
	<u>23,928</u>	<u>14,002</u>	70.9
PBT	<u>21,940</u>	<u>18,437</u>	19.0

Group revenue for the current quarter increased by 13.0% or RM6.9 million to RM59.6 million compared to RM52.7 million in the preceding quarter while segment profit increased by 70.9% or RM9.9 million to RM23.9 million compared to RM14.0 million in the preceding quarter.

The profit from Malaysia operations increased by 80.4% or RM9.6 million from RM12.0 million in the preceding quarter to RM21.6 million in the current quarter contributed by the strong growth in revenue particularly from Key Accounts and Direct-to-Consumer customers driven by strong demand in CTOS Data Systems reports and digital solutions as well as the lower operating expenses.

The International operations reported a 15.0% growth in segment profit to RM2.4 million for the quarter contributed by the 5.6% growth in revenue with better margin.

Group PBT increased by 19.0% or RM3.5 million attributed to the higher segment profit of RM9.9 million but muted by the lower share of profit of associates.

B3. Prospects of the Group

The Company expects its subsidiaries and business segments to continue with the growth momentum into 2023 on the back of the continued recovery of the Malaysian and regional economies.

Growth in Key Accounts segment is expected to be driven by continued adoption of our leading digital solutions and analytical insights, and organic growth in the BAU business. The Commercial segment should see growth through new account activations as well as increasing consumption of products and solutions as SMEs look to onboard and assess creditworthiness of customers more seamlessly. We expect to expand our Direct-to-Consumer business through financial literacy programs and partnerships targeting the circa 15 million credit active consumers in Malaysia.

The Group will continue developing synergistic opportunities in its strategic investments in Malaysia and Thailand. We expect our investments to enhance our value proposition to our clients, from banks to SMEs, by offering unique and value adding end-to-end digital lending solutions-

All associate companies are expected to perform to expectations.

There remain challenges in the domestic and global markets. However, the Company has put in place relevant mitigation measures and barring unforeseen circumstances, the Board is optimistic that the medium to long term outlook for the Group is positive with potential upside through expansion into new verticals.

B4. Variance of Actual Profit from Profit Forecast or Profit Guarantee

Not applicable as there was no financial forecast issued for the current financial period.

B5. Profit Before Tax

The following items have been (credited)/charged in arriving at the profit before tax:

	Quarter ended	
	<u>31.3.2023</u>	<u>31.3.2022</u>
	RM'000	RM'000
Reversal of allowance for impairment of receivables – net	(505)	(305)
Depreciation of property, plant and equipment	1,301	1,319
Depreciation of right-of-use assets	400	399
Amortisation of intangible assets	675	264
Realised loss on foreign exchange	192	6
Unrealised loss on foreign exchange	13	35
Finance income:		
- interest income	(31)	(16)
- distribution income from money market funds	-	(61)
- fair value gain on other investments	(69)	(4)

Other than as presented in the condensed consolidated statements of comprehensive income and as disclosed above, there were no material gains/losses on disposal of quoted and unquoted investments or properties and other exceptional items for the financial year ended 31 March 2023.

B6. Tax Expense

	Quarter ended	
	<u>31.3.2023</u>	<u>31.3.2022</u>
	RM'000	RM'000
Current tax		
- current period	5,622	3,844
Deferred tax		
- origination and reversal of temporary differences	(259)	288
	<u>5,363</u>	<u>4,132</u>

The Group's effective tax rate for the current quarter ended 31 March 2023, excluding share of profits of associates was 27.2%, higher than the statutory tax rate of 24% mainly due to the non-deductibility of certain expenses.

CDS is entitled to pioneer status incentives under the Promotion of Investments Act ("PIA") 1986 for MSC Malaysia Qualifying Activities. As a result, certain CDS profits are exempted from tax for a period of 10 years, beginning on 9 November 2016. However, based on the provisions of the PIA 1986, the incentive's effective period is only for the first 5 years. CDS can enjoy an extension of a second 5-year incentive period by applying to the Malaysian Investment Development Authority ("MIDA").

The tax relief period under CDS's MSC Pioneer Certificate is from 9 November 2016 to 8 November 2021. However, pursuant to the Grandfathering and Transitional Guidelines issued by Malaysia Digital Economy Corporation Sdn Bhd ("MDEC") which became effective on 1 January 2019, such tax relief period will only last until 30 June 2021. CDS requires approval from the MDEC or the relevant authorities to continue enjoying these tax incentives from 1 July 2021 until 8 November 2021 (the "Transitional Period").

CDS has on 26 May 2022 received the approval letter from MIDA via MDEC on Transition to the MSC Malaysia Status Services Incentive under Income Tax (Exemption) (No. 10) Order 2018 [P.U. (A) 389/2018], Income Tax Act 1967, which grants tax incentives for the whole of the Transitional Period. CDS has submitted a new application to MDEC in accordance with the new conditions stipulated in the approval letter, for an extension of tax exemption period for the next five years until 2026.

On 28 July 2022, CDS has received the approval in principle from the Ministry of Finance (MOF) via MDEC on the extension of income tax exemption under Section 127(3)(b) of the Income Tax Act 1967. The approval in principle is applicable until the amendment of provisions for the extension of the second five-year period under P.U. (A) 389/2018 is approved and gazetted. Pending the gazettment of P.U. (A) 389/2018, CDS' tax expense was computed using the corporate income tax rate of 24%.

B7. Status of Corporate Proposals

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

B8. Borrowings

	Currency	As at	
		<u>31.3.2023</u>	<u>31.12.2022</u>
		RM'000	RM'000
<u>Secured</u>			
<u>Current</u>			
Term loan	RM	-	9,972
<u>Non-current</u>			
Term loan	RM	132,331	139,489
Total borrowings		<u>132,331</u>	<u>149,461</u>

B9. Material Litigation

Save as disclosed in Note A12, there were no other material changes to the material litigation as at the date of this report since the last audited financial statements for the financial year ended 31 December 2022.

B10. Financial Liabilities

The Group recognised fair value loss of RM54,000 during the financial period ended 31 March 2023 on the contingent consideration for the acquisition of CTOS Basis (see Note A15(b)).

Save as disclosed above, there was no other gain or loss arising from fair value changes of the Group's financial liabilities for the current quarter under review.

B11. Dividends

The Board of Directors has declared a first interim single tier dividend of 0.433 sen per ordinary share in respect of the three months financial period ending 31 March 2023, 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 30 May 2023. The entitlement date for the dividend payment is 8 May 2023.

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 8 May 2023 in respect of transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

B12. Earnings per Share

Basic and diluted earnings per share of the Group is calculated by dividing the profit attributable to the owners of the Company by the weighted average numbers of ordinary shares in issue during the financial period.

	<u>Quarter ended</u>	
	<u>31.3.2023</u>	<u>31.3.2022</u>
Profit attributable to the owners of the Company (RM'000)	<u>16,577</u>	<u>12,475</u>
Number of shares at the beginning of the period ('000)	2,310,000	2,200,000
Adjusted for increase in number of shares on 3 March 2022 ('000)	-	34,607
Weighted average number of ordinary shares in issue ('000)	<u>2,310,000</u>	<u>2,234,607</u>
Basic/Diluted earnings per ordinary share (sen)	<u>0.7</u>	<u>0.6</u>