

CTOS DIGITAL BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Quarter ended 31.12.2023 RM'000	Quarter ended 31.12.2022 RM'000	% +/(-)	Year ended 31.12.2023 RM'000	Year ended 31.12.2022 RM'000	% +/(-)
Revenue	A8	73,150	52,743	38.7	261,437	194,781	34.2
Cost of sales		(17,450)	(8,742)		(59,770)	(30,154)	
Gross profit		55,700	44,001	26.6	201,667	164,627	22.5
Other expense		(28)	(2,441)		(12)	(1,513)	
Selling and marketing expenses		(9,268)	(8,996)		(38,218)	(33,185)	
Administrative expenses		(23,242)	(21,317)		(74,703)	(63,696)	
Finance income		219	154		603	519	
Finance costs		(1,805)	(1,897)		(6,730)	(4,345)	
Share of profits of associates		8,576	9,206		25,982	23,274	
Profit before tax	B5	30,152	18,710	61.2	108,589	85,681	26.7
Tax credit/(expense)	B6	26,032	(4,706)		9,651	(13,963)	
Profit for the financial year		56,184	14,004	301.2	118,240	71,718	64.9
Other comprehensive income/ (loss):							
Items that will be subsequently reclassified to profit or loss:							
Exchange differences on translation of foreign operations		8,929	5,981		7,594	1,489	
Share of other comprehensive income/(loss) of associate accounted for using equity method		-	2		15	(59)	
Items that will not be subsequently reclassified to profit or loss:							
Exchange differences on translation of foreign operations		3	-		3	-	
Share of other comprehensive income of associate accounted for using equity method		-	2,468		347	2,410	
Other comprehensive income for the financial year		8,932	8,451		7,959	3,840	
Total comprehensive income for the financial year		65,116	22,455	190.0	126,199	75,558	67.0
Profit/(loss) for the financial year attributable to:							
- Owners of the Company		56,279	14,004	301.9	118,374	71,718	65.1
- Non-controlling interests		(95)	-	-	(134)	-	-
		56,184	14,004	301.2	118,240	71,718	64.9
Total comprehensive income/ (loss) for the financial year attributable to:							
- Owners of the Company		65,208	22,455	190.4	126,330	75,558	67.2
- Non-controlling interests		(92)	-	-	(131)	-	-
		65,116	22,455	190.0	126,199	75,558	67.0
Earnings per share for profit attributable to ordinary equity holders of the Company							
Basic/Diluted (sen)	B12	2.4	0.6		5.1	3.1	

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 2022 and the accompanying explanatory notes.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at <u>31.12.2023</u> RM'000	Audited As at <u>31.12.2022</u> RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		10,108	12,697
Right-of-use assets		1,434	3,033
Intangible assets		133,322	86,575
Investments in associates		574,179	574,620
Receivables, deposits and prepayments		-	554
Deferred tax assets		265	972
TOTAL NON-CURRENT ASSETS		719,308	678,451
CURRENT ASSETS			
Receivables, deposits and prepayments		71,464	39,299
Other investments	A15	925	5,048
Amount due from related parties		1,429	2
Tax recoverable		887	33
Cash and bank balances		17,330	12,406
TOTAL CURRENT ASSETS		92,035	56,788
CURRENT LIABILITIES			
Payables and accruals		56,590	31,374
Contract liabilities		7,502	7,508
Contingent consideration		-	12,157
Lease liabilities		1,397	1,606
Amount due to related parties		965	1,891
Provision for restoration costs		694	-
Borrowings		48,852	9,972
Taxation		1,272	16,294
TOTAL CURRENT LIABILITIES		117,272	80,802
NET CURRENT LIABILITIES		(25,237)	(24,014)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	Unaudited As at 31.12.2023 RM'000	Audited As at 31.12.2022 RM'000
NON-CURRENT LIABILITIES			
Lease liabilities		96	1,493
Deferred tax liabilities		1	71
Provision for restoration costs		-	678
Provision for defined benefit plan		153	-
Borrowings		100,691	139,489
TOTAL NON-CURRENT LIABILITIES		100,941	141,731
NET ASSETS		593,130	512,706
EQUITY			
Share capital		584,047	584,047
Reverse acquisition reserve		(193,528)	(193,528)
Equity contribution from shareholder		315	315
Other reserves		5,381	(2,542)
Retained earnings		197,014	124,414
Equity attributable to Owners of the Company		593,229	512,706
Non-controlling interests		(99)	-
TOTAL EQUITY		593,130	512,706
Net assets per share attributable to Owners of the Company (RM)		0.26	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 2022 and the accompanying explanatory notes.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary shares		Equity contribution from share-holders	Reverse acquisition reserve ⁽¹⁾	Other reserves		Retained earnings	Total attributable to Owners of the Company	Non-controlling interests	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	RM'000	RM'000
As at 1 January 2023	2,310,000	584,047	315	(193,528)	(5,211)	2,669	124,414	512,706	-	512,706
Profit/(loss) for the financial year	-	-	-	-	-	-	118,374	118,374	(134)	118,240
Acquisition through business combination	-	-	-	-	-	-	-	-	32	32
Other comprehensive income	-	-	-	-	7,603	320	33	7,956	3	7,959
Transaction with owners:										
Dividends paid (Note A6)	-	-	-	-	-	-	(45,807)	(45,807)	-	(45,807)
As at 31 December 2023	2,310,000	584,047	315	(193,528)	2,392	2,989	197,014	593,229	(99)	593,130
As at 1 January 2022	2,200,000	412,524	315	(193,528)	(6,669)	243	94,996	307,881	-	307,881
Issuance of new shares	110,000	173,800	-	-	-	-	-	173,800	-	173,800
Share issuance expenses	-	(2,277)	-	-	-	-	-	(2,277)	-	(2,277)
Profit for the financial year	-	-	-	-	-	-	71,718	71,718	-	71,718
Other comprehensive income/(loss)	-	-	-	-	1,458	2,426	(44)	3,840	-	3,840
Transaction with owners:										
Dividends paid	-	-	-	-	-	-	(42,256)	(42,256)	-	(42,256)
As at 31 December 2022	2,310,000	584,047	315	(193,528)	(5,211)	2,669	124,414	512,706	-	512,706

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 2022 and the accompanying explanatory notes.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended	
	<u>31.12.2023</u>	<u>31.12.2022</u>
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	108,589	85,681
Adjustments for:		
(Reversal of)/allowance impairment of receivables - net	(403)	298
Depreciation of property, plant and equipment	5,036	5,264
Depreciation of right-of-use assets	1,599	1,598
Amortisation of intangible assets	3,807	1,628
Dividend income	-	(1,346)
Interest income	(247)	(108)
Distribution income from money market funds	(2)	(61)
Fair value gain on other investments	(353)	(350)
(Gain)/Loss on disposal of property, plant and equipment	(11)	4
Accretion of provision for restoration costs	16	17
Changes in fair value of contingent consideration payable	54	2,890
Defined benefit plan	(34)	-
Interest expense	6,625	4,178
Lease interest	90	150
Share of profits of associates	(25,982)	(23,274)
Unrealised loss on foreign exchange	96	19
Operating cash flows before working capital changes	98,880	76,588
Changes in working capital:		
Receivables, deposits and prepayments	(17,364)	(14,504)
Payables and accruals	5,114	12,214
Contract liabilities	(1,331)	(700)
Related parties balances	(2,353)	3,167
Cash flows generated from operations	82,946	76,765
Interest received	247	108
Tax paid	(5,528)	(5,427)
Dividends received	34,380	12,649
Net cash flows generated from operating activities	112,045	84,095

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

		Cumulative Quarter ended	
	<u>Note</u>	<u>31.12.2023</u>	<u>31.12.2022</u>
		RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash acquired		(25,061)	-
Purchase of property, plant and equipment		(2,551)	(5,278)
Purchase of intangible assets		(17,650)	(9,561)
Payment of contingent consideration		(12,211)	-
Proceeds from disposal of property, plant and equipment		12	-
Distribution income from money market funds		355	453
Investments in associates		-	(336,259)
Purchase of other investment		-	(31,983)
Investment in money market funds - net		4,123	20,952
Net cash flows used in investing activities		(52,983)	(361,676)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		-	173,800
Payment of share issuance expenses		-	(2,277)
Dividends paid	A6	(45,807)	(42,256)
Drawdown of borrowings		28,000	224,210
Repayment of borrowings		(28,459)	(73,628)
Restricted cash for term loan facility		44	(1,692)
Payment of lease liabilities		(1,696)	(1,697)
Transaction costs paid		(7)	(2,528)
Interest paid		(6,077)	(2,771)
Net cash flows (used in)/generated from financing activities		(54,002)	271,161
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,060	(6,420)
EFFECT OF EXCHANGE RATE CHANGES		(92)	3
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		10,714	17,131
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		15,682	10,714

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 2022 and the accompanying explanatory notes.

Explanatory Notes on the Quarterly Report – 31 December 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 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 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)
- Amendments to MFRS 112– ‘International Tax Reform – Pillar Two Model Rules’ (effective 2 June 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 year 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)
- Amendments to MFRS 107 – ‘Supplier Finance Arrangements’ (effective 1 January 2024)
- Amendments to MFRS 7 – ‘Supplier Finance Arrangements’ (effective 1 January 2024)
- Amendments to MFRS 121 – ‘Lack of Exchangeability’ (effective 1 January 2025)

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

A2. Seasonal or Cyclical Factors

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

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

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

A4. Material Changes in Estimates

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

Explanatory Notes on the Quarterly Report – 31 December 2023

A5. Debts and Equity Securities

There was no issuance, repurchase and repayment of debts and equity securities during the financial year ended 31 December 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>31.12.2023</u>		
Dividends paid in respect of the financial year ended 31 December 2022:		
- fourth interim dividend, paid on 15 March 2023	0.360	8,316
Dividends paid in respect of the financial year ending 31 December 2023:		
- first interim dividend, paid on 30 May 2023	0.433	10,002
- second interim dividend, paid on 21 September 2023	0.550	12,705
- third interim dividend, paid on 22 December 2023	0.640	14,784
	1.623	37,491

A7. Segment Reporting

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

- (i) Malaysia which comprises the provision of credit reporting services (sale of reports, monitoring and trade referencing services and other services), sale of digital solutions and provision of related installation and maintenance services as well as provision of comprehensive commercial credit reports and bulk commercial data sales to 3 distinct types of customer group, namely Key Accounts, Commercial and Direct-to-Consumer; and
- (ii) International which comprises the business of provision of alternative data credit scores to customers.

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

The share of results of associates represents the following:

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

Explanatory Notes on the Quarterly Report – 31 December 2023

A7. Segment Reporting (continued)

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

During the financial year, the business of provision of comprehensive commercial credit reports and bulk commercial data sales under CTOS Basis Sdn Bhd ("CTOS Basis"), previously classified under International operations has been reclassified to the Malaysia operations. Accordingly, the comparatives have been re-presented to be comparable.

	31.12.2023			Year ended 31.12.2022		
	RM'000			RM'000		
	Malaysia	International	Total	Malaysia	International	Total
Revenue	255,475	5,962	261,437	194,781	-	194,781
Gross profit	198,292	3,375	201,667	164,627	-	164,627
Segment profit	98,127	1,072	99,199	73,407	-	73,407
Dividend income	-	-	-	1,346	-	1,346
Depreciation and amortisation	(10,290)	(152)	(10,442)	(8,490)	-	(8,490)
Finance costs	(6,731)	-	(6,731)	(4,345)	-	(4,345)
Finance income	596	6	602	519	-	519
Share of profits of associates	17,123	8,859	25,982	15,810	7,464	23,274
Realised and unrealised gains/(losses) on foreign exchange - net	19	(40)	(21)	(30)	-	(30)
Profit before taxation	98,844	9,745	108,589	78,217	7,464	85,681
Tax credit/(expense)	9,651	-	9,651	(13,963)	-	(13,963)
Profit for the financial year	108,495	9,745	118,240	64,254	7,464	71,718
Segment assets	669,443	141,900	811,343	538,726	196,513	735,239
Other disclosures						
Non-cash items* (other than depreciation and amortisation)	(315)	8	(307)	317	-	317
Capital expenditure arising from property, plant and equipment and intangible assets additions	18,598	-	18,598	12,249	-	12,249

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

Explanatory Notes on the Quarterly Report – 31 December 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.

	As at	
	<u>31.12.2023</u>	<u>31.12.2022</u>
	RM'000	RM'000
Malaysia	563,336	531,828
Thailand	154,429	145,097
Indonesia	15	-
The Philippines	1,233	-
	<u>719,043</u>	<u>676,925</u>

Borrowings and lease liabilities

	As at	
	<u>31.12.2023</u>	<u>31.12.2022</u>
	RM'000	RM'000
Malaysia	<u>151,036</u>	<u>152,560</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 year.

A8. Revenue

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

	<u>Note</u>	Year ended	
		<u>31.12.2023</u>	<u>31.12.2022</u>
		RM'000	RM'000
Provision of services	(a)		
- digital reports		115,220	78,949
- subscriptions and monitoring services		93,726	85,832
- comprehensive portfolio review and analytics		27,741	15,323
- digital solutions		24,750	14,677
		<u>261,437</u>	<u>194,781</u>

a) Revenue from contracts with customers:

	Year ended	
	<u>31.12.2023</u>	<u>31.12.2022</u>
	RM'000	RM'000
Timing of revenue recognition:		
- at a point in time	160,765	104,228
- over time	100,672	90,553
Revenue from contracts with customers	<u>261,437</u>	<u>194,781</u>

Explanatory Notes on the Quarterly Report – 31 December 2023

A8. Revenue (continued)

The Group serves three distinct types of customers, namely Key Accounts, Commercial and Direct-to-Consumer. Key Accounts customers comprise the Group's highest revenue-generating customers as well as other selected customers, such as those with complex requirements or well-recognised brands. Commercial customers comprise (i) the Group's Malaysian segment commercial customers other than Key Accounts customers and (ii) all of CTOS Basis' customers. Direct-to-Consumer comprise the Group's retail consumers.

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

	Year ended	
	<u>31.12.2023</u>	<u>31.12.2022</u>
	RM'000	RM'000
Customer group		
- Key Accounts	118,891	74,767
- Commercial	120,178	104,735
- Direct-to-Consumer	22,368	15,279
Total	<u>261,437</u>	<u>194,781</u>

A9 Valuations of Property, Plant and Equipment

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

A10. Changes in the Composition of the Group

Acquisition of subsidiaries

- On 25 August 2023, the Company entered into a Share Sale Agreement ("SSA") to purchase 400 ordinary shares in Alt Decisions Pte. Ltd. ("Alt Decisions") representing 80% of the total paid up share capital in Alt Decisions for a cash consideration of USD475,000 (equivalent to RM2.2 million).

Alt Decisions is an investment holding company that holds 99.99% of PT Prime Analytics Indonesia ("Prime Analytics"), a financial technology company with the focus on helping businesses in making informed and responsible decisions in the area of risk management through the use of alternative data sources and advanced analytics technology. The transaction was completed on 1 September 2023. Upon completion of the transaction, Alt Decisions and Prime Analytics become subsidiaries of the Company. Details of the net assets acquired and net cash outflow arising from the acquisition are as follows:

	RM'000
Property, plant and equipment	11
Receivables, deposits and prepayments	1,110
Cash and cash equivalents	1,556
Payables and accruals	(2,250)
Net identifiable assets acquired	<u>427</u>
Goodwill arising on acquisition	<u>1,786</u>
Cash consideration	2,213
Less: cash and cash equivalents of subsidiaries acquired	(1,556)
Net cash outflow of the Group on acquisition of subsidiaries	<u>657</u>

The fair value of the net assets and goodwill in the above acquisition are provisional and will be adjusted, if necessary, upon completion of the purchase price allocation as allowed under MFRS 3.

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

2. On 25 August 2023, the Company entered into a Sale and Purchase Agreement (“SPA”) with the Shareholder Sellers and Option Sellers to acquire 4,181,667 ordinary shares in Fintech Platform Ventures Pte. Ltd. (“Fintech”) representing 100% of the total paid up share capital in Fintech for a cash consideration of USD5,864,161 (equivalent to RM27.8 million).

Fintech is the holding company of Finscore, Inc. (“Finscore”) and CC Mobile Financial Services Philippines, Inc. (“CCM”). The group is engaged in the business of providing alternative credit scoring powered by telco data and advanced analytics. The transaction was completed on 26 October 2023. Upon completion of the transaction, Fintech, Finscore and CCM become subsidiaries of the Company. Details of the net assets acquired and net cash outflow arising from the acquisition are as follows:

	RM'000
Property, plant and equipment	47
Intangible assets	1,350
Deferred tax assets	101
Receivables, deposits and prepayments	13,163
Cash and cash equivalents	3,401
Payables and accruals	(19,827)
Contract liabilities	(1,340)
Tax payable	(40)
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Net identifiable assets acquired	(3,145)
Goodwill arising on acquisition	30,949
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Cash consideration	27,804
Less: cash and cash equivalents of subsidiaries acquired	(3,400)
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Net cash outflow of the Group on acquisition of subsidiaries	24,404
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The fair value of the net assets and goodwill in the above acquisition are provisional and will be adjusted, if necessary, upon completion of the purchase price allocation as allowed under MFRS 3.

Other than the above, there were no changes in the composition of the Group during the financial year ended 31 December 2023.

A11. Material Events Subsequent to the Financial Year

There were no material events subsequent to the end of the financial year 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 Decision trial on 6 February 2024.
- 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.

A12. Contingent Liabilities or Contingent Assets (continued)

- 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. On 15 May 2023, the Court had dismissed the Plaintiff’s suit against the Defendants.

The Plaintiff/Appellant had filed an appeal against the Decision. The Hearing of the appeal will be held on 17 May 2024.

- 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 fixed the matter for Case Management on 31 January 2024 with the Trial Dates fixed on 3 February 2025 until 6 February 2025.
- e) In January 2023, CDS was served with a Writ Summons by a Plaintiff as the Fourth Defendant whereby the Plaintiff alleged negligence and/or conspiracy to injure its interests through the electronic trade reference (eTR) listing. The Plaintiff seeks injunction against the CDS’ Subscriber and its Directors (First, Second and Third Defendants). The Plaintiff further seeks damages, losses, interests and costs from all the Defendants including CDS. CDS maintains that it has conducted its business pursuant to and in compliance of the Act. CDS further maintains that the disclosure of the Plaintiff’s eTR data to others (if any) can only be made with the consent of the Plaintiff. CDS will seek indemnity against the First Defendant in the event of any breach of the Subscription Agreement. The matter was resolved amicably through settlement with the Plaintiff withdrawing the matter against CDS with no order as to cost on 16 March 2023 (Settlement).

In June 2023, CDS was served with a Writ Summons by the same Plaintiff alleging that CDS had breached the terms of the Settlement. CDS denies any liability therein as the alleged breach claimed by the Plaintiff is not from report issued by CDS. The Plaintiff has among others sought for exemplary damages, legal costs and expenses amounting to RM840,000. The Court fixed the matter for Case Management on 7 February 2024.

- f) In May 2023, CDS was served with a Writ Summons by a Plaintiff claiming negligence in CDS’ credit report which had contained the Plaintiff’s bankruptcy proceeding that was discharged by the Court. CDS maintained that it has the right to publish the bankruptcy proceeding and had duly updated the status of the discharge of bankruptcy in the credit report as required under the CRA Act. The Plaintiff has among others sought for Special Damages and General Damages amounting to RM500,000 from CDS. The Plaintiff has filed an application to strike out the Defence and for an order for assessment of damages. CDS will oppose this application as it is not a plain and obvious case for striking out. CDS has filed an application to strike out the Plaintiff’s claim on the basis that there are no pleadings on publication. The Court fixed the Decision for the Plaintiff’s application to strike out the Defence and for CDS’ application to strike out the Writ Summons on 22 February 2024.
- g) In July 2023, CDS was served with a Writ Summons by a Plaintiff for defamation with regard to Trade Credit Reference that was listed by the Second Defendant. CDS denies any publication of defamatory information in CDS Report. The Plaintiff has among others sought for an apology via social media and damages for libel amounting to RM8,000,000 against each Defendant. The Court fixed the matter for Hearing of the Second Defendant’s application to strike out Writ Summons on 29 January 2024.

The Management had sought legal advice from external counsel on these litigation cases whereby the Board and Management have been advised that the Group has a fair chance at successfully defending the cases based on legal precedents. As at 31 December 2023, no provisions are required in the condensed consolidated financial information.

There were no contingent assets and contingent liabilities as at the end of the current financial period under review.

Explanatory Notes on the Quarterly Report – 31 December 2023

A13. Capital Commitments

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

	31.12.2023	As at 31.12.2022
	RM'000	RM'000
<u>Contracted</u>		
- property, plant and equipment	828	776
- intangible assets	5,581	2,011
	<u>6,409</u>	<u>2,787</u>

A14. Significant Related Party Transactions

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

	Transactions for the year ended 31.12.2023	Balances as at 31.12.2023
	RM'000	RM'000
<u>Group</u>		
Purchase of services		
- Software services from Juris Technologies Sdn Bhd ("JurisTech")	2,395	965
Sale of services		
- Advisory and support services to CIBI Holdings Pte Ltd ("CIBI Holdings")	4,388	-
- Advisory, support and software services to CIBI Information, Inc. ("CIBI")	1,564	1,439
- Advisory and support services to Juris Technologies Sdn Bhd ("JurisTech")	84	12
	<u>6,036</u>	<u>1,451</u>

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

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

A15. Fair Value Measurements

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

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

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

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

- a) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group approximated their fair values as at 31 December 2023.

- b) Financial instruments carried at fair value

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

	<u>Level 1</u> RM'000
<u>Current asset</u>	
Other investments	
- Investment in money market funds	925
	<hr/>

There is no financial liability measured at fair value as at 31 December 2023.

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

B1. Review of Group Performance

	<u>31.12.2023</u>	<u>Year ended</u> <u>31.12.2022</u>	<u>%</u> <u>+ / (-)</u>
	RM'000	RM'000	
Revenue			
Malaysia	255,475	194,781	31.2
International	5,962	-	-
	<u>261,437</u>	<u>194,781</u>	34.2
Segment profit/(loss)			
Malaysia	98,127	73,407	33.7
International	1,072	-	-
	<u>99,199</u>	<u>73,407</u>	35.1
Profit before tax ("PBT")	108,589	85,681	26.7
Profit for the financial year ("PAT")	118,240	71,718	64.9
Profit attributable to Owners of the Company ("PATAMI")	<u>118,374</u>	<u>71,718</u>	65.1

Reconciliation of PATAMI to Normalised PATAMI:

PATAMI	118,374	71,718	65.1
Add:			
Costs related to acquisitions	281	4,402	
Incremental income tax expense	-	14,306	
Write back of prior year tax	(14,644)	(5,066)	
Normalised PATAMI – Note 1	<u>104,011</u>	<u>85,360</u>	21.8

Note 1 – Normalised PATAMI is calculated as profit for the financial year attributable to owners of the Company adjusted for (i) costs related to our acquisitions of investments 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).

For the financial year ended 31 December 2023, the Group recorded a higher revenue of RM261.4 million and PBT of RM108.6 million whilst PAT grew to RM118.2 million from RM71.7 million recorded a year ago.

The Malaysia operations segment profit for the financial year increased by 33.7% to RM73.4 million driven by strong revenue growth. Revenue grew by 31.2% to RM255.5 million compared to RM194.8 million a year ago, with higher revenue from all customer groups (namely Key Accounts, Commercial and Direct-to-Consumer). Key Accounts and Direct-to-Consumer experienced substantial growth at 51.0% and 46.4% respectively increased by strong demand for CTOS Data Systems Reports, digital solutions and comprehensive portfolio review and analytics services.

The International operations, encompassing Prime Analytics in Indonesia and Finscore in the Philippines, recorded a revenue of RM5.9 million and a profit of RM1.1 million.

Explanatory Notes on the Quarterly Report – 31 December 2023

B1. Review of Group Performance (continued)

PBT for the Group increased by 26.7% to RM108.6 million in the current financial year contributed by the strong operational performance. Profit after tax increased by 64.9% to RM118.2 million from RM71.7 million in the previous financial year driven by the tax credit of RM14.6 million pertaining to over-provision of prior year taxes recognised upon CDS obtaining the approval from Ministry of Finance on the extension of the second five-year tax incentive. In the previous financial year, the PAT included writeback of prior year tax of RM5.1 million recognised upon CDS obtaining the approval to transition to the new regime (refer to note B6 for more details).

Normalised PATAMI increased by 21.8% to RM104.0 million in the current year from RM85.4 million in the previous financial year primarily driven by the strong operational performance.

B2. Comparison with Immediate Preceding Quarter

	Quarter ended		%
	<u>31.12.2023</u>	<u>30.9.2023</u>	+ / (-)
	RM'000	RM'000	
Revenue			
Malaysia	67,608	66,031	2.4
International	<u>5,542</u>	<u>420</u>	1,219.5
	73,150	66,451	10.1
Segment profit			
Malaysia	24,695	26,202	(5.8)
International	<u>1,269</u>	<u>(197)</u>	(744.2)
	25,964	26,005	(0.2)
PBT	<u>30,152</u>	<u>30,417</u>	(0.9)

The Group revenue recorded RM73.2 million for the current quarter which is a 10.1% or RM6.7 million increase compared to RM66.5 million in the preceding quarter whilst segment profit for the current quarter remained at RM26.0.

The profit from Malaysia operations decreased by 5.8% or RM1.5 million from RM26.2 million in the preceding quarter to RM24.7 million in the current quarter mainly due to the higher operating expenses, largely in staff costs and IT related expenses. Revenue increased by 2.4% to RM67.6 million in the current quarter contributed by growth in revenue from our Key Accounts and Commercial customers driven by higher sale of CTOS Data Systems reports and comprehensive portfolio review and analytics services.

The International operations recorded a profit of RM1.3 million compared to a loss of RM0.2 million in the preceding quarter following the consolidation of the results of Finscore upon the completion of the acquisition in the current quarter.

Group PBT decreased marginally to RM30.2 million mainly due to the higher finance costs incurred for the acquisition of our investments.

Explanatory Notes on the Quarterly Report – 31 December 2023

B3. Prospects of the Group

Amidst the ongoing recovery of the Malaysian and wider regional economies, the Group remains buoyant on its growth trajectory for 2024.

We expect strong growth in our Key Accounts segment, fuelled by the rising adoption of our digital solutions and in-depth analytical insights, compounded by organic growth from core businesses. In the Commercial segment, growth is anticipated from the activation of new accounts and increased consumption of our products and solutions, with SMEs noticeably leaning on our tools for smooth customer onboarding and credit checks. With our Direct-to-Consumer business, we are targeting engagement with nearly 15 million credit-active Malaysian consumers through financial literacy drives, digital marketing, and strategic partnerships. Our recent ASEAN expansion via acquisitions in Indonesia and the Philippines offers significant growth potential; the plan is to blend our expertise with theirs, presenting a top-tier range of credit-centric solutions. Our strategic investments in Malaysia and ASEAN focus on identifying and nurturing synergistic opportunities, aiming to serve a broad spectrum of clients, from major banks to emerging SMEs, with innovative digital lending solutions. Lastly, we are confident that our associate companies will consistently align with and achieve the expectations set for them.

However, whilst our projections and preparations are robust, it is essential to acknowledge the existence of uncertainties in both the domestic and global markets. The Group is not immune to these unpredictable elements but remains equipped with pre-emptive measures to navigate potential challenges.

Barring unforeseen disruptions, we maintain a positive perspective on the medium to long-term outlook for the group. The growth potential is not confined to our current operational scope but is visible in potential new verticals and increasing footprint. The Group is committed to delivering value, fostering innovation, and fuelling growth in the forthcoming times.

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

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

B5. Profit Before Tax

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

	Quarter ended		Year ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Allowance for/(reversal of) impairment of receivables - net	50	478	(403)	298
Depreciation of property, plant and equipment	1,092	1,283	5,036	5,264
Depreciation of right-of-use assets	400	400	1,599	1,598
Realised (gain)/loss on foreign exchange	(25)	(27)	(75)	11
Unrealised loss on foreign exchange	90	83	96	19
Amortisation of intangible assets	1,242	754	3,807	1,628
Dividend income	-	-	-	(1,346)
Finance income:				
- interest income	(122)	(37)	(247)	(108)
- distribution income from money market funds	(2)	-	(2)	(61)
- fair value gain on other investments	(94)	(117)	(353)	(350)

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 December 2023.

Explanatory Notes on the Quarterly Report – 31 December 2023

B6. Tax Credit/(Expense)

	Quarter ended		Year ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Current tax				
- current year	(11,577)	5,337	5,582	18,801
- over provision in prior years	(15,392)	-	(15,969)	(5,074)
	(26,969)	5,337	(10,387)	13,727
Deferred tax				
- origination and reversal of temporary differences	937	(631)	736	236
	(26,032)	4,706	(9,651)	13,963

The Group recorded a tax credit for the current quarter and financial year ended 31 December 2023, excluding share of profits of associates attributed to the recognition of tax credit pertaining to the overprovision of prior year taxes upon the approval of CDS' tax incentives in the current quarter.

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 26 October, CDS has received approval from MOF on the extension of the second five-year exemption for the period from 9 November 2021 to 8 November 2026.

B7. Status of Corporate Proposals

Proposed Employee Share Option Scheme ("Proposed ESOS")

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

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

B7. Status of Corporate Proposals (continued)

Proposed Employee Share Option Scheme (continued)

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

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

B8. Borrowings

	Currency	31.12.2023 RM'000	As at 31.12.2022 RM'000
<u>Secured</u>			
<u>Current</u>			
Term loans	RM	20,852	9,972
Revolving credit	RM	28,000	-
<u>Non-current</u>			
Term loans	RM	100,691	139,489
Total borrowings		149,543	149,461

B9. Material Litigation

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

B10. Financial Liabilities

The Group recognised fair value loss of RM54,000 during the financial year ended 31 December 2023 on the contingent consideration for the acquisition of CTOS Basis. The contingent consideration has been settled in May 2023.

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 year under review.

B11. Dividends

The Board of Directors has declared a fourth interim single tier dividend of 1.706 sen per ordinary share in respect of the financial year ended 31 December 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 27 March 2024. The entitlement date for the dividend payment is 28 February 2024.

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

- (i) shares transferred into the depositor's securities account before 4.30 pm on 28 February 2024 in respect of transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

Explanatory Notes on the Quarterly Report – 31 December 2023

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 year.

	Quarter ended		Year ended	
	<u>31.12.2023</u>	<u>31.12.2022</u>	<u>31.12.2023</u>	<u>31.12.2022</u>
Profit attributable to the owners of the Company (RM'000)	<u>56,279</u>	<u>14,004</u>	<u>118,374</u>	<u>71,718</u>
Number of shares at the beginning of the period ('000)	2,310,000	2,310,000	2,310,000	2,200,000
Adjusted for increase in number of shares on 3 March 2022 ('000)	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,315</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,310,000</u>	<u>2,310,000</u>	<u>2,310,000</u>	<u>2,291,315</u>
Basic/Diluted earnings per ordinary share (sen)	<u>2.4</u>	<u>0.6</u>	<u>5.1</u>	<u>3.1</u>