



CTOS DIGITAL BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021



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

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Quarter ended		% + / (-)	Cumulative Quarter ended		% + / (-)
		30.9.2021 RM'000	30.9.2020 RM'000		30.9.2021 RM'000	30.9.2020 RM'000	
Continuing operations							
Revenue	A8	38,568	34,024	13.4	114,372	98,754	15.8
Cost of sales		(5,088)	(4,145)	22.8	(14,365)	(13,852)	3.7
Gross profit		33,480	29,879	12.1	100,007	84,902	17.8
Other income/(expense)		93	2	4,550	(96)	(26)	269.2
Selling and marketing expenses		(7,658)	(7,746)	(1.1)	(22,642)	(23,850)	(5.1)
Administrative expenses		(13,702)	(10,184)	34.5	(38,321)	(31,269)	22.6
Finance income		172	27	537.0	250	180	38.9
Finance costs		(463)	(719)	(35.6)	(5,660)	(2,300)	146.1
Share of profits of associates		2,171	462	369.9	5,591	953	486.7
Profit before tax	B5	14,093	11,721	20.2	39,129	28,590	36.9
Tax expense	B6	(2,422)	(625)	287.5	(7,350)	(1,875)	292.0
Profit from continuing operations		11,671	11,096	5.2	31,779	26,715	19.0
Discontinued operations							
Loss from discontinued operations (Note 1)		-	(795)	(100.0)	(1,134)	(795)	42.6
Profit for the financial period		11,671	10,301	13.3	30,645	25,920	18.2
Other comprehensive (loss)/ income:							
Items that will be subsequently reclassified to profit or loss:							
Exchange differences on translation of foreign operations		(5,222)	-	-	(8,003)	-	-
Exchange differences on translation of discontinued operations		-	63	(100.0)	392	63	522.2
Items that will not be subsequently reclassified to profit or loss:							
Exchange differences on translation of foreign operations		-	27	(100.0)	171	27	533.3
Share of other comprehensive income of associate accounted for using equity method		2	-	-	16	-	-
Other comprehensive (loss)/ income for the financial period		(5,220)	90	(5,900)	(7,424)	90	(8,349)
Total comprehensive income for the financial period		6,451	10,391	(37.9)	23,221	26,010	(10.7)

Note 1:

- 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).

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Quarter ended		% + / (-)	Cumulative Quarter ended		% + / (-)
		30.9.2021 RM'000	30.9.2020 RM'000		30.9.2021 RM'000	30.9.2020 RM'000	
Profit/(loss) for the financial period attributable to:							
- Owners of the Company							
- from continuing operations		11,671	11,096	5.2	31,779	26,715	19.0
- from discontinued operations		-	(420)	(100.0)	(583)	(420)	38.8
		<u>11,671</u>	<u>10,676</u>	9.3	<u>31,196</u>	<u>26,295</u>	18.6
- Non-controlling interests		-	(375)	(100.0)	(551)	(375)	46.9
		<u>11,671</u>	<u>10,301</u>	13.3	<u>30,645</u>	<u>25,920</u>	18.2
Total comprehensive income/(loss) for the financial period attributable to:							
- Owners of the Company							
- from continuing operations		6,451	11,096	(41.9)	23,792	26,715	(10.9)
- from discontinued operations		-	(357)	(100.0)	(191)	(357)	(46.5)
		<u>6,451</u>	<u>10,739</u>	(39.9)	<u>23,601</u>	<u>26,358</u>	(10.5)
- Non-controlling interests		-	(348)	(100.0)	(380)	(348)	9.2
		<u>6,451</u>	<u>10,391</u>	(37.9)	<u>23,221</u>	<u>26,010</u>	(10.7)
Earnings per share for profit attributable to ordinary equity holders of the Company							
- Basic (sen)	B13(a)						
- Continuing operations		0.5	0.5	-	1.5	1.3	15.4
- Discontinued operations		-	*	*	*	*	*
		<u>0.5</u>	<u>0.5</u>	-	<u>1.5</u>	<u>1.3</u>	15.4
- Diluted (sen)	B13(b)						
- Continuing operations		0.5	0.5	-	1.5	1.3	15.4
- Discontinued operations		-	*	*	*	*	*
		<u>0.5</u>	<u>0.5</u>	-	<u>1.5</u>	<u>1.3</u>	15.4

* 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 <u>30.9.2021</u> RM'000	As at <u>31.12.2020</u> RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		13,602	16,911
Right-of-use assets		4,233	2,071
Intangible assets		78,261	49,572
Investment in associates		170,369	150,835
Other investments	A15	10,055	-
Receivables, deposits and prepayments		-	905
Deferred tax assets		1,323	1,080
TOTAL NON-CURRENT ASSETS		<u>277,843</u>	<u>221,374</u>
CURRENT ASSETS			
Receivables, deposits and prepayments		24,295	28,223
Amount due from a related party		302	3
Tax recoverable		130	13
Other investments	A15	27,000	-
Cash and bank balances		14,132	26,371
TOTAL CURRENT ASSETS		<u>65,859</u>	<u>54,610</u>
CURRENT LIABILITIES			
Payables and accruals		13,553	17,120
Contract liabilities		6,565	6,681
Lease liabilities		1,357	1,876
Provision for restoration costs		610	603
Amount due to a related party		44	371
Borrowings	B9	-	132,320
Taxation		7,015	489
TOTAL CURRENT LIABILITIES		<u>29,144</u>	<u>159,460</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>36,715</u>	<u>(104,850)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 30.9.2021 RM'000	As at 31.12.2020 RM'000
NON-CURRENT LIABILITIES			
Lease liabilities		2,901	375
Contingent consideration	A15	9,716	-
Provision for defined benefit plan		-	421
Deferred tax liabilities		178	-
TOTAL NON-CURRENT LIABILITIES		12,795	796
NET ASSETS		301,763	115,728
EQUITY			
Share capital		412,524	197,994
Reverse acquisition reserve		(193,528)	(193,528)
Equity contribution from shareholder		315	315
Other reserves		(7,658)	(45)
Retained earnings		90,110	106,025
Equity attributable to the owners of the Company		301,763	110,761
Non-controlling interests		-	4,967
TOTAL EQUITY		301,763	115,728
Net assets per share attributable to Owners of the Company (RM)		0.15	0.06

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary shares		Equity contribution from shareholders RM'000	Reverse acquisition reserve ⁽¹⁾ RM'000	Foreign currency translation reserve RM'000	Other reserves		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				Retirement benefit reserve & fair value reserve RM'000	Retained earnings 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	-	-	-	-	-	-	-	-	-
Issuance of new shares (Note A5)	200,000	220,000	-	-	-	-	-	220,000	-	220,000
Share issuance expenses (Note B8)	-	(5,470)	-	-	-	-	-	(5,470)	-	(5,470)
Profit/(loss) for the financial period	-	-	-	-	-	-	31,196	31,196	(551)	30,645
Other comprehensive (loss)/ income	-	-	-	-	(7,611)	16	-	(7,595)	171	(7,424)
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 B11)	-	-	-	-	-	-	(33,976)	(33,976)	-	(33,976)
As at 30 September 2021	<u>2,200,000</u>	<u>412,524</u>	<u>315</u>	<u>(193,528)</u>	<u>(7,917)</u>	<u>259</u>	<u>90,110</u>	<u>301,763</u>	<u>-</u>	<u>301,763</u>

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Ordinary shares		Equity contribution from shareholders RM'000	Reverse acquisition reserve ⁽¹⁾ RM'000	Other reserves RM'000	Retained earnings RM'000	Total attributable to owners of the Company RM'000	Non-controlling interest	Total equity
	Number of shares '000	Share capital 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/(loss) for the financial period	-	-	-	-	-	26,295	26,295	(375)	25,920
Other comprehensive income	-	-	-	-	63	-	63	27	90
Transaction with owners:									
Dividends paid	-	-	-	-	-	(10,500)	(10,500)	-	(10,500)
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	6,434	6,434
Share-based payment expense for the financial period	-	-	-	-	1,900	-	1,900	-	1,900
As at 30 September 2020	100,000	197,994	315	(193,528)	4,589	87,336	96,706	6,086	102,792

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>30.9.2021</u>	<u>30.9.2020</u>
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax		
Continuing operations	39,129	28,590
Discontinued operations	(970)	(800)
	<hr/>	<hr/>
	38,159	27,790
Adjustments for:		
Allowance for impairment of receivables and deposits-net	307	487
Depreciation of property, plant and equipment	4,612	3,989
Depreciation of right-of-use assets	1,334	1,139
Amortisation of intangible assets	680	73
Interest income	(136)	(197)
Distribution income from money market funds	(116)	-
(Gain)/loss on disposal of property, plant and equipment	(1)	28
Accretion of provision for restoration costs	7	14
Changes in fair value of contingent consideration payable	272	-
Interest expense	5,615	2,190
Lease interest	63	107
Share-based payment expense	-	1,900
Share of profits of associates	(5,591)	(953)
Defined benefit plan expense	49	128
Unrealised loss on foreign exchange	4,375	30
	<hr/>	<hr/>
Operating cash flows before working capital changes	49,629	36,725
Changes in working capital:		
Receivables, deposits and prepayments	(1,654)	(1,408)
Payables and accruals	371	(1,018)
Contract liabilities	(334)	715
Related parties balances	(626)	(2)
	<hr/>	<hr/>
Cash flows generated from operations	47,386	35,012
Interest received	136	197
Distribution income from money market funds	20	-
Defined benefit plan paid	(373)	-
Share-based payment	(113)	-
Tax paid	(2,379)	(489)
Tax refunded	6	-
	<hr/>	<hr/>
Net cash flows generated from operating activities	44,683	34,720

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Cumulative Quarter ended	
		30.9.2021 RM'000	30.9.2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,310)	(4,216)
Proceeds from disposal of property, plant and equipment		1	7
Purchase of intangible assets		(1,458)	-
Dividends received from associates		4,872	-
Distribution income from money market funds		60	-
Acquisition of subsidiary, net of cash acquired	A10	(28,018)	(5,374)
Investment in associate	A10	(26,802)	-
Purchase of other investments	A10	(10,055)	-
Purchase of investment in money market funds		(27,000)	-
Net cash outflow on distribution of subsidiaries	A10	(3,147)	-
Net cash flows used in investing activities		(93,857)	(9,583)
CASH FLOWS FROM FINANCING ACTIVITIES			
Restricted cash for term loan facility		1,455	(2,483)
Proceeds from issuance of shares		220,000	-
Payment of share issuance expenses		(5,470)	-
Dividends paid	A6	(33,976)	(10,500)
Drawdown of borrowings		32,000	56,000
Repayment of borrowings		(170,646)	(40,054)
Payment of lease liabilities		(1,462)	(1,234)
Transaction cost paid		(627)	(806)
Interest paid		(3,092)	(1,923)
Repayment of advances from immediate holding company		-	(14,297)
Net cash flows generated from/(used in) financing activities		38,182	(15,297)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(10,992)	9,840
EFFECT OF EXCHANGE RATE CHANGES		188	11
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		14,132	15,340

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 September 2021

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

This condensed consolidated financial information of CTOS Digital Berhad (“the Company”) and its subsidiaries (“the Group”) is prepared in accordance with the requirements of paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complies with the requirements of the Malaysian Financial Reporting Standard (“MFRS”) 134 – Interim Financial Reporting and International Accounting Standard 34 “Interim Financial Reporting”. The condensed consolidated financial information is unaudited and should be read in conjunction with the Group’s audited annual financial statements for the financial year ended 31 December 2020.

The significant accounting policies and methods of computation adopted for the condensed consolidated financial information are consistent with those adopted for the audited consolidated financial statements for the financial year ended 31 December 2020 except for the adoption of the following amendment to published standard:

- Amendments to MFRS 16 ‘COVID-19-Related Rent Concessions’

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

The Group has adopted the following new accounting policies during the financial period ended 30 September 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 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 116 ‘Proceeds before Intended Use’ (effective 1 January 2022)
- Amendments to MFRS 137 ‘Onerous contracts – cost of fulfilling a contract’ (effective 1 January 2022)
- 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’

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 September 2021

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 nine months ended 30 September 2021.

A4. Material Changes in Estimates

There were no changes in estimates which had a material effect in the nine months ended 30 September 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 had also fully repaid its existing borrowings amounting to RM170.6 million during the nine months ended 30 September 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.

On 19 July 2021, the Company has a public issue of 200,000,000 new ordinary shares in conjunction with the IPO of the company. Following the allotment of new shares, the Company's total number of share capital has increased to 2,200,000,000 shares.

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

Explanatory Notes on the Quarterly Report – 30 September 2021

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>30.9.2021</u>		
Dividends paid in respect of the financial year ended 31 December 2020 *:		
- second interim dividend, paid on 21 January 2021	5.250	5,250
- third interim dividend, paid on 5 April 2021	9.000	9,000
- third interim dividend, paid on 22 June 2021	8.000	8,000
	<u>22.250</u>	<u>22,250</u>
Dividends paid in respect of the financial year ending 31 December 2021 #:		
- first interim dividend, paid on 3 September 2021	0.533	11,726
	<u>0.533</u>	<u>11,726</u>

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

Dividend per share is calculated based on 2,200,000,000 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.

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 – 30 September 2021

A7. Segment Reporting (continued)

	Cumulative Quarter ended						
	30.9.2021				30.9.2020		
	Malaysia	International	Elimination	Total	Malaysia	International	Total
				RM'000			RM'000
Continuing operations							
Revenue							
Sales to external customers	109,479	4,893	-	114,372	98,754	-	98,754
Inter-segment sales	207	69	(276)	-	-	-	-
Total revenue	109,686	4,962	(276)	114,372	98,754	-	98,754
Gross profit	95,923	4,084	-	100,007	84,902	-	84,902
Segment profit	46,482	2,880	-	49,362	36,724	-	36,724
Depreciation and amortisation	(6,010)	(141)	-	(6,151)	(5,038)	-	(5,038)
Finance costs	(5,660)	-	-	(5,660)	(2,300)	-	(2,300)
Interest income	111	23	-	134	180	-	180
Distribution income from money market funds	116	-	-	116	-	-	-
Share-based payment expense	-	-	-	-	(1,900)	-	(1,900)
Share of profits of associates	1,299	4,292	-	5,591	953	-	953
Realised and unrealised (losses)/gains on foreign exchange - net	(4,405)	142	-	(4,263)	(29)	-	(29)
Profit before taxation	31,933	7,196	-	39,129	28,590	-	28,590
Tax expense	(6,522)	(828)	-	(7,350)	(1,875)	-	(1,875)
Profit from continuing operations	25,411	6,368	-	31,779	26,715	-	26,715
Discontinued operations							
Loss from discontinued operations				(1,134)			(795)
Profit for the financial period				30,645			25,920
Assets	189,863	153,839	-	343,702	164,444	9,856	174,300
Other disclosures							
Non-cash item* (other than depreciation and amortisation)	4,658	(128)	-	4,530	656	(12)	644
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	7,190	37	-	7,227	3,764	452	4,216

* 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 September 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>30.9.2021</u>	<u>31.12.2020</u>
	RM'000	RM'000
Malaysia	165,366	115,563
Philippines	-	12,052
Thailand	111,154	92,679
	<u>276,520</u>	<u>220,294</u>

Borrowings and lease liabilities

	As at	
	<u>30.9.2021</u>	<u>31.12.2020</u>
	RM'000	RM'000
Malaysia	4,258	133,682
Philippines	-	889
	<u>4,258</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:

	<u>Note</u>	Cumulative Quarter ended	
		<u>30.9.2021</u>	<u>30.9.2020</u>
		RM'000	RM'000
Provision of services	(a)		
- sale of reports		39,906	34,876
- monitoring and trade referencing services		59,040	55,476
- other services		13,085	6,641
- sale of software licenses		1,114	1,209
- installation and maintenance services		1,227	552
		<u>114,372</u>	<u>98,754</u>

Explanatory Notes on the Quarterly Report – 30 September 2021

A8. Revenue (continued)

(a) Revenue from contracts with customers:

	<u>Cumulative Quarter ended</u>	
	<u>30.9.2021</u>	<u>30.9.2020</u>
	RM'000	RM'000
Timing of revenue recognition:		
- at a point in time	51,681	40,532
- over time	62,691	58,222
	<u>114,372</u>	<u>98,754</u>
Revenue from contracts with customers	<u>114,372</u>	<u>98,754</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:

	<u>Cumulative Quarter ended</u>	
	<u>30.9.2021</u>	<u>30.9.2020</u>
	RM'000	RM'000
Type of customers		
- Key Accounts	39,400	35,816
- Commercial - Malaysia	62,596	58,754
- Commercial - International	4,893	-
- Direct-to-Consumer	7,483	4,184
	<u>114,372</u>	<u>98,754</u>
Total	<u>114,372</u>	<u>98,754</u>

A9 Valuations of Property, Plant and Equipment

There were no revaluations of property, plant and equipment during the nine months ended 30 September 2021. As at 30 September 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 September 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)
	<hr/>	<hr/>
Net identifiable assets acquired	4,046	4,709
Goodwill arising on acquisition		36,735
Less: Contingent consideration		(9,444)
		<hr/>
Cash consideration		32,000
Less: cash and cash equivalents of subsidiary acquired		(3,982)
		<hr/>
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 September 2021 amounted to RM5.0 million and RM2.2 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

4. Other investments

On 29 July 2021, the Company entered into a Sale and Purchase Agreement (“SPA II”) to acquire 462,500 ordinary shares in RAM Holdings Berhad (“RAM”) representing 4.625% of the total paid up share capital for a total cash consideration of RM10,054,750.

Explanatory Notes on the Quarterly Report – 30 September 2021

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

5. Investment in associate

On 6 August 2021, the Company acquired additional 21.74 million ordinary shares in Business Online Public Company Limited (“BOL”) representing 2.65% of the total paid up share capital of BOL, for a total cash purchase consideration of THB208.7 million or equivalent to RM26.8 million. Upon completion of the acquisition, the shareholdings in BOL increased to 185,844,400 ordinary shares, representing 22.65% of the equity interest in BOL. The acquisition was completed on 10 August 2021.

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

A11. Material Events Subsequent to the Financial Period

CDS had on 30 September 2021 received a Letter/Directive from Bank Negara Malaysia (“BNM”) relating to temporary suspension of access to the Central Credit Reference Information System (“CCRIS”) for all Credit Reporting Agencies (“CRA”) with immediate effect.

The temporary suspension is a proactive, precautionary and necessary step against potential cyber threats and possibility of data leak incident in the credit reporting industry. Pursuant to BNM’s suspension decision, CDS has momentarily halted reports and services containing CCRIS information on its platform whilst it is working expeditiously to resume these services as quickly as possible. The rest of its portfolio of services remain available to the customers.

The temporary suspension is not expected to cause any material impact to the Group’s financials at this juncture.

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 Court has directed parties to comply with pre-trial case management directions. The Court has fixed the matter for full trial on 12 and 13 May 2022. 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 September 2021. Furthermore, CDS’s obligation from this claim, if any, is unable to be measured reliably as at 30 September 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 has filed a Notice of Appeal at the Court of Appeal. On 5 August 2021, the Plaintiff’s appeal filed in the Court of Appeal was heard and dismissed with costs and accordingly, the case has been closed.

There were no other material changes in the contingent liabilities or contingent assets since the last financial year ended 31 December 2020.

Explanatory Notes on the Quarterly Report – 30 September 2021

A13. Capital Commitments

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

	<u>30.9.2021</u>	<u>As at</u> <u>31.12.2020</u>
	RM'000	RM'000
<u>Contracted</u>		
- property, plant and equipment	339	356
- intangible assets	2,197	2,253
- investment in subsidiary	-	42,280
	<u>2,536</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 <u>30.9.2021</u>	Balances as at <u>30.9.2021</u>
	RM'000	RM'000
<u>Group</u>		
Purchase of services		
- Professional services from Credisense Limited ("Credisense")	734	44
- Outsourcing services from Outsource Network Contact Center and Back Office Services Inc. ("ONET")	66	-
	<u>800</u>	<u>44</u>
Sale of services		
- Advisory and support services to CIBI Holdings	299	299
	<u>299</u>	<u>299</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) 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) ONET, being a 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.

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 September 2021.

- 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 30 September 2021:

	Level 1 RM'000	Level 3 RM'000
<u>Non-current asset</u>		
Other investments	-	10,055
<u>Current asset</u>		
Other investments		
- Investment in money market funds	27,000	-
<u>Non-current liability</u>		
Contingent consideration	-	9,716

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.

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

B1. Review of Group Performance

	Cumulative Quarter ended		% + / (-)
	30.9.2021 RM'000	30.9.2020 RM'000	
Revenue			
Malaysia	109,479	98,754	10.9
International	4,893	-	-
	<u>114,372</u>	<u>98,754</u>	15.8
Segment profit			
Malaysia	46,482	36,724	26.6
International	2,880	-	-
	<u>49,362</u>	<u>36,724</u>	34.4
Profit before tax ("PBT")	39,129	28,590	36.9
Profit/(loss) for the period			
Continuing operations	31,779	26,715	19.0
Discontinued operations	(1,134)	(795)	42.6
	<u>30,645</u>	<u>25,920</u>	18.2
Profit/(loss) attributable to Owners of the Company ("PATAMI")			
Continuing operations	31,779	26,715	19.0
Discontinued operations	(583)	(420)	38.8
	<u>31,196</u>	<u>26,295</u>	18.6
Reconciliation of PATAMI to Normalised PATAMI:			
PATAMI	31,196	26,295	18.6
Add:			
Losses from CIBI Holdings and CIBI	583	420	
Costs related to acquisitions	174	93	
Share-based payment expense	-	1,900	
Interest expense on bank borrowings	5,608	2,156	
Unrealised foreign exchange losses on USD borrowings	4,438	-	
Incremental income tax expense	4,572	575	
	<u>46,571</u>	<u>31,439</u>	48.1

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 acquisition of CIBI (for the financial period ended ("FPE") 30 September 2020) and acquisitions of Basis, RAM and additional investment in BOL (for the FPE 30 September 2021); (iii) share-based payment expense; (iv) interest expense on bank borrowings; (v) realised and 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 September 2021 (refer to note B6 for more details)

B1. Review of Group Performance (continued)

The Group's revenue for the nine months ended 30 September 2021 of RM114.4 million (net of CCRIS fee waiver as BNM allowed free access to its CCRIS database), was 15.8% higher compared to the revenue of RM98.8 million in the corresponding period of the previous year. PBT increased by 36.9% to RM39.1 million from RM28.6 million in the corresponding period of the previous year.

Total segment profit for the financial period of RM49.4 million, was a 34.4% or RM12.6 million increase from RM36.7 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 RM9.8 million or 26.6% to RM46.5 million from RM36.7 million in the previous corresponding period contributed by the 10.9% increase in revenue to RM109.5 million from RM98.8 million in the previous corresponding period. Revenue was higher for all the 3 types of customers (namely Key Accounts, Commercial – Malaysia and Direct-to-Consumer), driven by 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 nine months ended 30 September 2021 compared to the MCO which began from 18 March 2020 in the same period last year and CCRIS fee waivers (RM9.5 million in the current financial period compared to RM4.4 million for the previous corresponding period when the waiver started in June 2020). This is offset by higher operating expenses.

The International operations contributed revenue of RM4.9 million and segment profit of RM2.9 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 36.9% or RM10.5 million, to RM39.1 million in the current period contributed by the higher share of profits of associates of RM4.6 million mainly due to the contribution from Business Online Public Company Limited ("BOL"), our associate in Thailand which was acquired in October 2020, but offset by higher finance costs of RM3.4 million and foreign exchange losses of RM4.2 million mainly on our USD borrowings. Finance costs increased 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 18.2% or RM4.7 million to RM30.6 million from RM25.9 million in the corresponding period after incorporating 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 September 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 RM4.9 million or 18.6% to RM31.2 million from RM26.3 million in the corresponding period after incorporating the loss attributable to non-controlling interests of RM0.6 million.

Normalised PATAMI increased by 48.1% or RM15.1 million to RM46.6 million from RM31.4 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.

Explanatory Notes on the Quarterly Report – 30 September 2021

B2. Material Changes in Profit for the Current Quarter as Compared to the Results of the Preceding Quarter

	Quarter ended		% + / (-)
	<u>30.9.2021</u> RM'000	<u>30.6.2021</u> RM'000	
Revenue			
Malaysia	37,013	36,507	1.4
International	<u>1,555</u>	<u>1,342</u>	15.9
	38,568	37,849	1.9
Segment profit			
Malaysia	14,697	15,526	(5.3)
International	<u>873</u>	<u>610</u>	43.1
	15,570	16,136	(3.5)
PBT	<u>14,093</u>	<u>14,479</u>	(2.7)

The Group registered a revenue of RM38.6 million for the current quarter, marginally higher than the preceding quarter revenue of RM37.8 million. Malaysia operations generated a moderate growth largely due to the prolonged lockdown in several states while International operations had a 15.9% improvement in revenue.

Total segment profit decreased by 3.5% or RM0.6 million to RM15.6 million from RM16.1 million in the preceding quarter.

The profit from Malaysia operations decreased by 5.3%, despite the higher revenue mainly due to higher operating expenses largely in staff related costs and advertising and promotion expenses incurred in relation to our CTOS Financial Literacy campaign in the current quarter. Revenue was 1.4% higher contributed by the Key Account customer with 10.6% growth attributed to growth in sale of digital solutions and Comprehensive Portfolio Review while Commercial - Malaysia and Direct-to-Consumer recorded slightly lower revenue.

The International operations recorded a higher profit of RM0.3 million from RM0.6 million in the preceding quarter mainly due to the higher revenue in the current quarter contributed by higher sale of digital reports.

Group PBT decreased marginally by 2.7% or RM0.4 million due to the foreign exchange losses of RM1.4 million in the current quarter mainly on the settlement of our USD borrowings but mitigated by lower finance costs in the current quarter on full settlement of our borrowings in July 2021 after the IPO.

B3. Prospects of the Group

As Malaysia moves away from the various versions of restrictions related to the COVID-19 pandemic and the economy begins to open up, the Company expects its subsidiaries and business segments to rebound in the last quarter of 2021. For the financial year ending 31 December 2021 (“FYE2021”) CDS will continue to deliver on its digital solutions such as eKYC to its extensive Key Account customer base. The Commercial segment should see growth 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 as part of their own business recovery strategies. CDS will continue to expand on its financial literacy programs in FYE2021.

In the beginning of the fourth quarter, BNM temporarily suspended access to CCRIS data to the CRA industry including CDS. The temporary suspension was a proactive, precautionary and necessary step against potential cyber threats to the CRA industry. CDS is in the final stages of completing the independent Compromise Assessment which has thus far indicated no data leaks from CDS and has validated the strength of the CDS’s security infrastructure. Once BNM has had the opportunity to review this report, we are hopeful the access will be restored. The impact is likely to be only for October and immaterial to our revenue for FYE2021.

Our associate companies are expected to continue to perform according to expectations and the Group will still look for opportunities within the Asia Pacific regional 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	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	RM'000	RM'000	RM'000	RM'000
Allowance/(reversal of allowance) for impairment of receivables - net	75	(324)	307	487
Depreciation of property, plant and equipment	1,476	1,428	4,612	3,989
Depreciation of right-of-use assets	380	380	1,334	1,139
Realised (gain)/loss on foreign exchange	(120)	(2)	(78)	31
Unrealised loss on foreign exchange	1,442	33	4,375	30
Bad debts recovered	(6)	(1)	(35)	(1)
Amortisation of intangible assets	178	73	680	73
Distribution income from money market funds	(116)	-	(116)	-
Interest income	(55)	(44)	(136)	(197)

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 September 2021.

B6. Tax Expense

	Quarter ended		Cumulative Quarter ended	
	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000
Continuing operations				
Current tax				
- current year	2,460	625	8,399	1,875
Deferred tax				
- origination and reversal of temporary differences	(38)	-	(1,049)	-
	<u>2,422</u>	<u>625</u>	<u>7,350</u>	<u>1,875</u>
Discontinued operations	-	(5)	164	(5)
	<u>2,422</u>	<u>620</u>	<u>7,514</u>	<u>1,870</u>

The Group's effective tax rate for the current quarter and nine months ended 30 September 2021 was 17.2% and 19.2% 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 nine months period ended 30 September 2021 taking into consideration the expiry date of the tax incentive and the tax rates and tax laws substantially enacted as at 30 September 2021.

Tax expense for the taxation authorities in the Philippines is calculated at the rate prevailing in that jurisdiction.

B7. Status of Corporate Proposals

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

Explanatory Notes on the Quarterly Report – 30 September 2021

B8. Utilisation of Proceeds from IPO

The status of utilisation of proceeds from IPO as at 11 October 2021 is as follows:

Details of use of proceeds	Estimated timeframe for use from the date of Listing	Proposed utilisation RM'000	Re-allocation RM'000	Actual utilisation RM'000	Balance unutilised RM'000
Repayment of bank borrowings	Within 3 months	155,181	628	(155,809)	-
Defray fees and expenses for IPO and listing	Within 6 months	6,098	(628)	(5,470)	-
Acquisitions	Within 36 months	58,721	-	(36,857)	21,864
		<u>220,000</u>	<u>-</u>	<u>(198,136)</u>	<u>21,864</u>

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 30 June 2021.

The unutilised balance of RM628,000 allocated for estimated defray fees and expenses for IPO and listing were allocated to repayment of bank borrowings during the financial year.

B9. Borrowings

	Currency	As at	
		<u>30.9.2021</u> RM'000	<u>31.12.2020</u> RM'000
<u>Secured</u>			
<u>Current</u>			
Term loan	USD	-	87,558
Term loan	RM	-	44,762
Total borrowings		<u>-</u>	<u>132,320</u>

Material changes to borrowings for the nine months ended 30 September 2021 are disclosed in Note A5.

B10. 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 2020.

B11. Dividends

The Board of Directors has declared a second interim single tier dividend of 0.32 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 10 December 2021. The entitlement date for the dividend payment is 12 November 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 12 November 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.

Explanatory Notes on the Quarterly Report – 30 September 2021

B12. Financial Liabilities

The Group recognised fair value loss of RM0.3 million during the nine months ended 30 September 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.

B13. 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	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
Profit/(loss) attributable to the owners of the Company (RM'000)				
- Continuing operations	11,671	11,096	31,779	26,715
- Discontinued operations	-	(420)	(583)	(420)
	<u>11,671</u>	<u>10,676</u>	<u>31,196</u>	<u>26,295</u>
Number of shares at the beginning of the period ('000)	2,000,000	2,000,000	2,000,000	2,000,000
Adjusted for increase in number of shares on 19 July 2021 ('000)	160,870	-	54,212	-
	<u>2,160,870</u>	<u>2,000,000</u>	<u>2,054,212</u>	<u>2,000,000</u>
Weighted average number of ordinary shares in issue ('000)				
Basic earnings per ordinary share (sen)				
- Continuing operations	0.5	0.5	1.5	1.3
- Discontinued operations	-	*	*	*
	<u>0.5</u>	<u>0.5</u>	<u>1.5</u>	<u>1.3</u>

Explanatory Notes on the Quarterly Report – 30 September 2021

B13. 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	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
Profit/(loss) attributable to the owners of the Company (RM'000)				
- Continuing operations	11,671	11,096	31,779	26,715
- Discontinued operation	-	(420)	(583)	(420)
	<u>11,671</u>	<u>10,676</u>	<u>31,196</u>	<u>26,295</u>
Number of shares at the beginning of the period ('000)	2,000,000	2,000,000	2,000,000	2,000,000
Adjusted for increase in number of shares on 19 July 2021 ('000)	160,870	-	54,212	-
Adjusted for Employee Share Option Scheme ("ESOS") ('000)	-	820	-	820
	<u>2,160,870</u>	<u>2,000,820</u>	<u>2,054,212</u>	<u>2,000,820</u>
Weighted average number of ordinary shares in issue ('000)				
Diluted earnings per ordinary share (sen)				
- Continuing operations	0.5	0.5	1.5	1.3
- Discontinued operation	-	*	*	*
	<u>0.5</u>	<u>0.5</u>	<u>1.5</u>	<u>1.3</u>

* Negligible

By order of the Board

Joanne Toh Joo Ann
Company Secretary
15 October 2021
Kuala Lumpur