



**CTOS DIGITAL BERHAD**

# **ANNUAL REPORT 2022**

A stylized graphic of a globe showing the Southeast Asian region. The globe is blue with white lines representing a network or digital connections. The landmasses are green. The graphic is set against a background of teal and orange curved shapes and a white dotted pattern.

**ACCELERATING DIGITAL  
GROWTH**

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## ACCELERATING DIGITAL GROWTH

With more than 30 years of track record within the industry, CTOS Digital Berhad ("CTOS Digital" or "the Company") and its subsidiaries ("CTOS" or "the Group") remain committed in growing the Group's data analytics, software, and solutions platforms capabilities via organic expansions, and through strategic acquisitions of synergistic companies in Malaysia and ASEAN.

All in all, CTOS aims to provide world class end-to-end digital/ credit management solutions to its customer base, and ultimately strengthen its entrenched position in the increasingly digital economy within ASEAN.

## THE 2023 ANNUAL GENERAL MEETING



Scan the QR code  
attached to join the 2023  
Annual General Meeting



### DATE & TIME

26 May 2023 (Friday) 9.30 a.m.



### ONLINE MEETING PLATFORM

TIIH Online websites at <https://tiih.online> or <https://tiih.com.my>

### NAVIGATION ICONS

Icon can be found in this  
annual report:



#### Web Refer

To find more information  
online via  
[www.ctosdigital.com](http://www.ctosdigital.com)



#### Page Refer

To find more related  
information inside this  
report

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Tan Sri Izzuddin Bin Dali**  
Independent Non-Executive Chairman

**Dato' Noorazman Bin Abd Aziz**  
Independent Non-Executive Director

**Loh Kok Leong**  
Non-Independent Non-Executive Director

**Erick Hamburger Barraza**  
Executive Director and  
Group Chief Executive Officer

**Su Puay Leng**  
Independent Non-Executive Director

**Lynette Yeow Su-Yin**  
Independent Non-Executive Director

**Nirmala A/P Doraisamy**  
Independent Non-Executive Director

**Wong Pau Min**  
Alternate Director to Loh Kok Leong

## AUDIT & RISK COMMITTEE

**Nirmala A/P Doraisamy**  
Chairman

**Dato' Noorazman Bin Abd Aziz**  
Member

**Su Puay Leng**  
Member

## NOMINATION & REMUNERATION COMMITTEE

**Lynette Yeow Su-Yin**  
Chairman

**Dato' Noorazman Bin Abd Aziz**  
Member

**Loh Kok Leong**  
Member

## BOARD INVESTMENT COMMITTEE

**Dato' Noorazman Bin Abd Aziz**  
Chairman

**Su Puay Leng**  
Member

**Loh Kok Leong**  
Member

## COMPANY SECRETARIES

**Joanne Toh Joo Ann**  
[SSM PC No. 202008001119]  
(LS 0008574)

**Saw Hui Ying**  
[SSM PC No. 202108000465]  
(MAICSA 7065214)

## AUDITORS

**PricewaterhouseCoopers PLT**  
Level 10, 1 Sentral,  
Jalan Rakyat, Kuala Lumpur Sentral,  
50470 Kuala Lumpur  
Tel. No.: +603 2173 1188  
Partner-in-charge: Pauline Ho  
Professional qualification:  
Member of MIA  
(MIA membership No.: CA11007)

## REGISTERED OFFICE

Unit 30-01, Level 30, Tower A,  
Vertical Business Suite, Avenue 3,  
Bangsar South, No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur  
Tel. No.: +603 2783 9191

## CORPORATE OFFICE

Unit 01-12, Level 8, Tower A,  
Vertical Business Suite, Avenue 3,  
Bangsar South, No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur  
Tel. No.: +603 2722 8888  
Website: [www.ctosdigital.com](http://www.ctosdigital.com)  
E-mail: [info@ctosdigital.com](mailto:info@ctosdigital.com)

## SHARE REGISTRAR

**Tricor Investor & Issuing House Services Sdn Bhd**  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite, Avenue 3,  
Bangsar South, No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur  
Tel. No.: +603 2783 9299

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad (5301)



# CORPORATE OVERVIEW



## About CTOS Digital Berhad

CTOS Digital Berhad is the holding company of CTOS Data Systems Sdn Bhd, the leading Credit Reporting Agency in Malaysia. Founded in 1990, we offer a broad suite of innovative digital products and credit risk management solutions and services giving us a solid platform to thrive not just in credit reporting, but also in digital credit decisioning across Southeast Asia. Aside from having a presence in Malaysia, CTOS Digital holds 24.83% stake in Business Online Public Company Limited (BOL), the leading credit information and risk management provider in Thailand.

Our solutions and services are widely used by the country's banking and financial institutions, insurance and telecommunication companies, large corporations, small medium enterprises as well as consumers for self-check.

We provide solutions across three core customer segments:

**Key Account segment, which includes a significant number of leading financial institutions and corporates;**

**Commercial segment, which includes a growing number of small-and-medium-sized businesses locally and international customers located across Asia Pacific and Europe; and**

**Direct-to-Consumer (D2C) segment which are individual customers registered with CTOS ID.**



## MISSION AND VISION



Our mission is to empower individuals and businesses with the confidence to make sound credit decisions through access to data and insights at greater ease and speed, leading the community to better financial health. Our vision is to make Malaysia a centre of excellence for credit reporting in ASEAN.

## ACCELERATING DIGITAL GROWTH



CTOS has recorded solid growth in revenue and profit over the years, and we will continue to drive growth trajectory through our innovative product and services, harnessing acquisition synergies, expanding into new verticals and deepening the market penetration of our digital solutions.

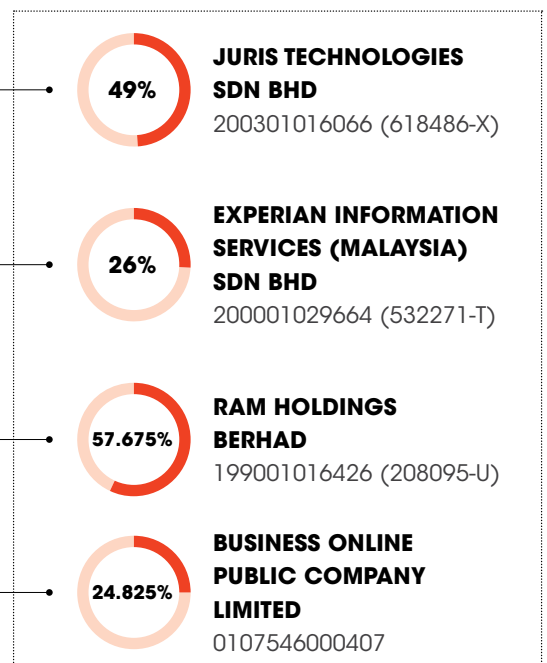
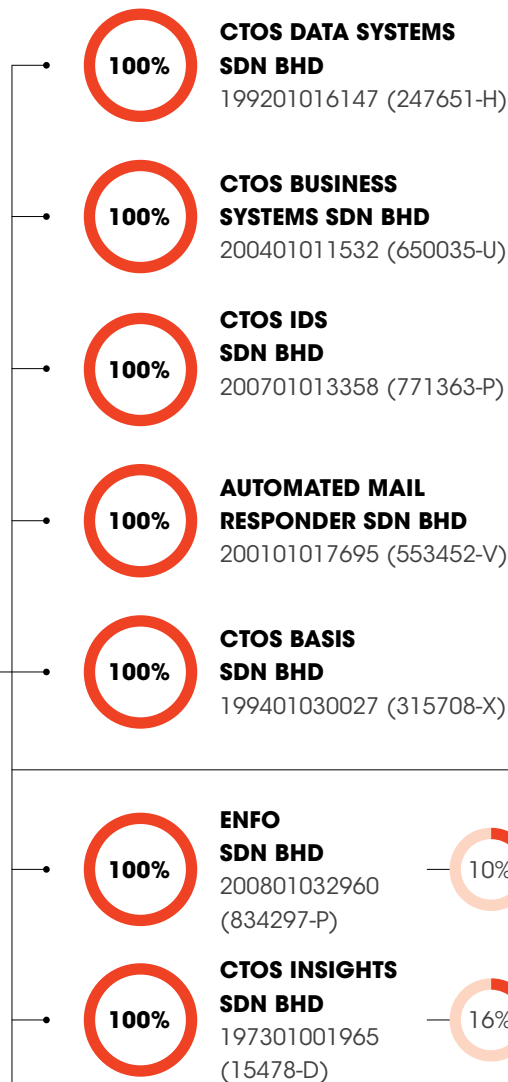
Technology, data, intelligent analytics and innovation will drive the future of the digital economy and we are well-positioned to take advantage of the many opportunities that lie ahead.



# CORPORATE STRUCTURE



**CTOS DIGITAL  
IS THE HOLDING  
COMPANY OF AND  
HOLDS INTERESTS  
IN SOME OF  
ASEAN'S LEADING  
CREDIT REPORTING  
AGENCIES**



# FINANCIAL HIGHLIGHTS

## 5 YEARS FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY (RM'000)	2018	2019	2020	2021	2022
Revenue	110,465	129,141	133,225	153,166	<b>194,781</b>
Gross Profit	92,939	107,542	115,716	133,976	<b>164,627</b>
EBITDA	35,081	48,537	53,652	66,434	<b>97,997</b>
Share of Profits of Associates	-	761	1,785	7,217	<b>23,274</b>

### NOTES

\* Includes discontinued operations

\*\* Normalised PATAMI is calculated as profit for the financial year attributable to Shareholders plus/less, where applicable

(i) losses from CIBI Philippines, Inc ("CIBI") and CIBI Holdings Pte Ltd;

(ii) costs related to our acquisitions of Experian Information Services (Malaysia) Sdn Bhd, CIBI, CTOS Basis, Business Online Public Company Limited, RAM Holdings Berhad and Juris Technologies Sdn Bhd;

### REVENUE



**RM194.8**  
million

YoY growth

**+27%**

### PROFIT BEFORE TAX



**RM85.7**  
million

YoY growth

**+62%**

### DIVIDEND PER SHARE



**1.875**  
sen

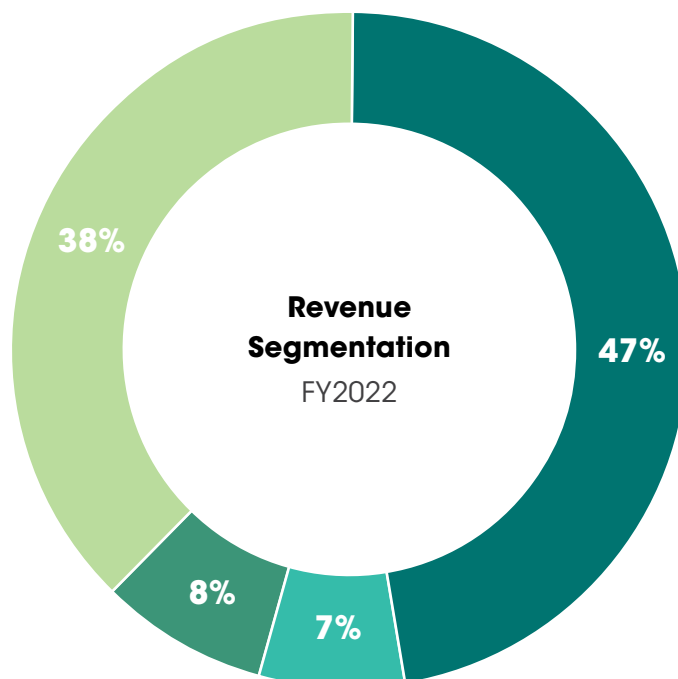
*Based on dividend per share declared in respect of FY2022.*

### Key Accounts

Commercial banks and leading large corporation within financial institutions, insurance, e-commerce and others

### Commercial - Malaysia

Small-medium enterprises in Malaysia



### Direct-to-Consumer

Individual customers

### Commercial - International

International customers via CTOS Basis Sdn Bhd ("CTOS Basis")

## FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY (RM'000)	2018	2019	2020	2021	2022
PBT	31,791	41,246	42,796	53,043	<b>85,681</b>
PATAMI*	29,656	39,009	39,187	43,122	<b>71,718</b>
Normalised PATAMI**	30,376	41,120	41,464	54,602	<b>85,360</b>
Basic Earnings per Share (sen)	1.5	2.0	2.0	2.1	<b>3.1</b>

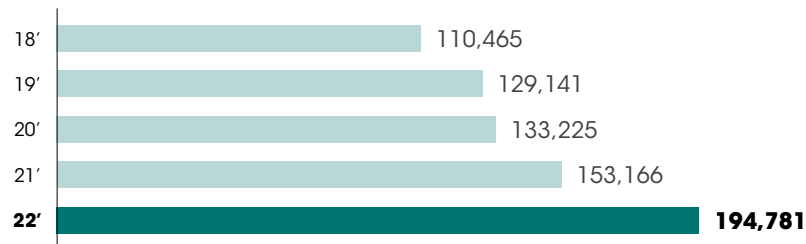
(iii) share-based payment expense;

(iv) realised and unrealised foreign exchange losses/(gains) on USD borrowings; and

(v) incremental income tax expense of CTOS Data Systems Sdn Bhd ("CDS") recognised based on the statutory tax rate of 24% for the period from 1 July 2021 to 31 December 2021 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

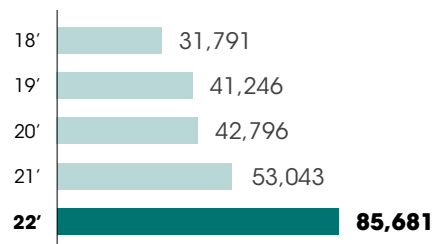
## Revenue

(RM'000)



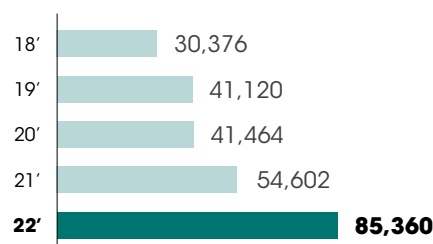
## Profit Before Tax

("PBT") (RM'000)



## Normalised Net Profit Attributable to Shareholders

("Normalised PATAMI") (RM'000)



## EBITDA



YoY growth

**+48%**

**RM98.0**  
million

## NORMALISED PATAMI



YoY growth

**+56%**

**RM85.4**  
million

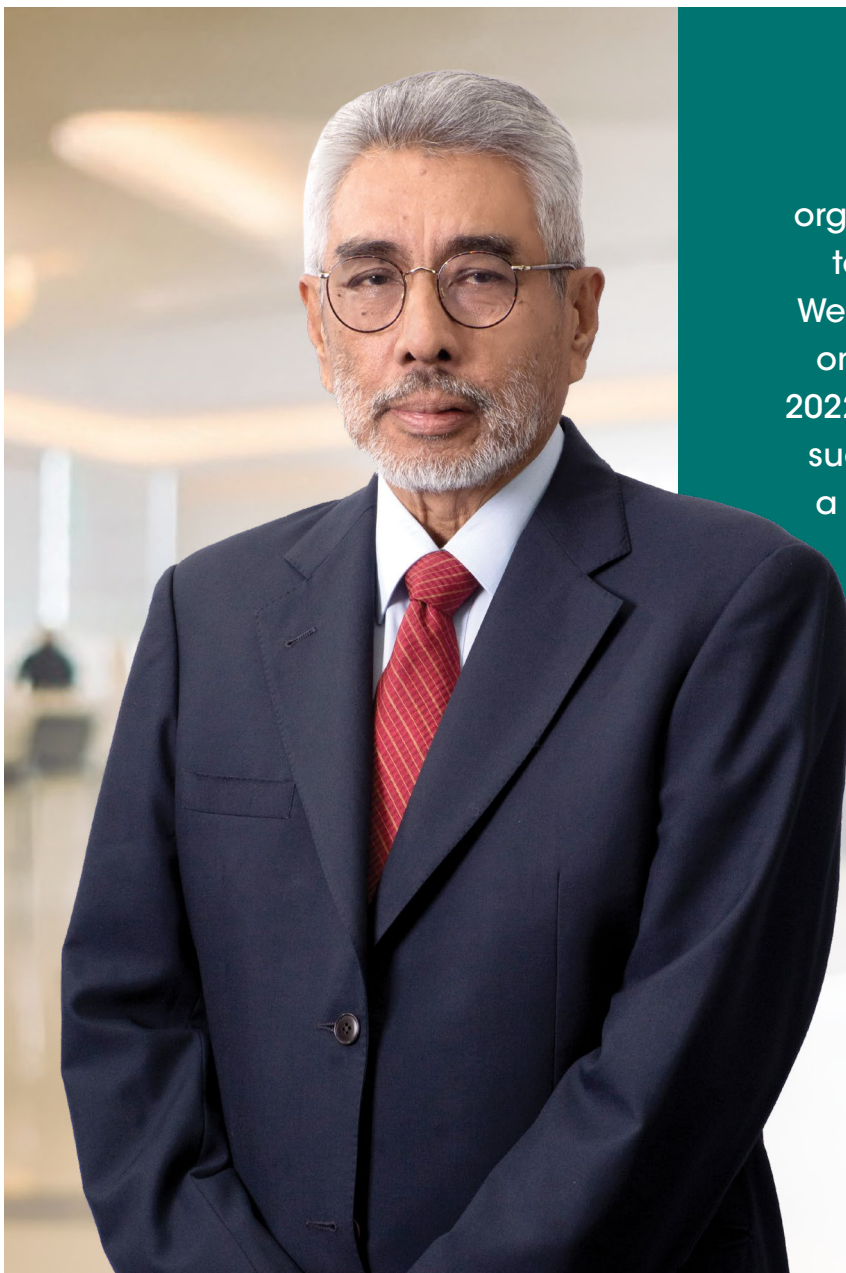
## DIVIDEND PAYOUT



**60.4%** of PATAMI  
RM43.3 million

*Based on dividend declared in respect of FY2022.*

# CHAIRMAN'S MESSAGE



"CTOS Digital's business is underscored by the mission of empowering individuals and organisations with the confidence to make sound credit decisions. We continued to relentlessly focus on innovation and technology in 2022 to harness the power of data, successfully closing the year with a new record performance while increasing our market share."

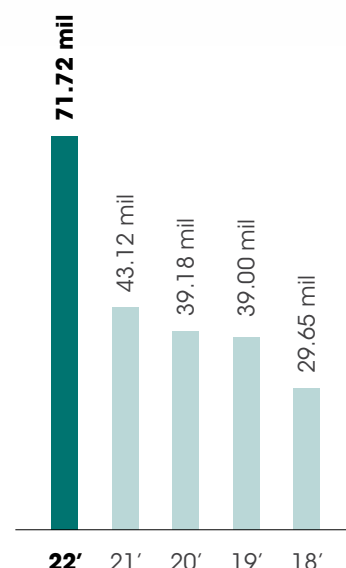
## HIGHLIGHTS OF FY 2022

All key business units registered strong double-digit revenue growth. We wrapped the year with an impressive

**66%**

year-on-year jump in net profit to **RM71.7 million**.

## Profit After Tax and Minority Interests (PATAMI)



## Dear Shareholders,

Our business has demonstrated its relevance and resilience in the face of external volatilities. The adoption of credit risk management and innovative digital solutions is more crucial than ever before as everyone seeks to make more informed decisions during challenging circumstances and automate their processes to drive business growth. Transparent credit information is a prerequisite for sound risk management and financial stability.

We had a productive year in 2022, concluding several acquisitions which will open new opportunities for the future, while driving impressive organic growth. Our team worked diligently to deliver another outstanding year for CTOS Digital, and I am proud of their accomplishments. It is my great privilege to present to you the Annual Report and Financial Statements for the financial year ended 31 December 2022.

## CHAIRMAN'S MESSAGE



## OVERVIEW

In 2022, we faced yet another unconventional period, marked by an exceptionally turbulent external environment. Despite the challenges, our unwavering focus remained on creating a positive impact for our clients, consumers, and society by transforming data into analytical tools and reports that enable informed decision-making.

Throughout the year, we witnessed an accelerating shift towards digital adoption, which bodes well for our business. As the economy digitalises, data assets, analytics, and technology have become increasingly vital, making our products and services even more relevant. The emergence of digital banking, buy-now-pay-later ("BNPL") services, and other Fintech activities have paved the way for opportunities, both now and in the future. Our efforts were channelled into helping our clients drive their digital transformation. We also continued to invest in our people and built capacities across our business, including our technology, sophisticated analytics, and data security. Our track record is evidence that we are on the right track, and our business model remains robust in both good and challenging times. With our superior data assets and analytic capabilities, we are poised to capture a wide array of opportunities ahead.



For more information, please refer our Management Discussion & Analysis on page 10.

## PERFORMANCE REVIEW AND DIVIDENDS

We achieved stellar growth in FY2022 and performed well despite challenging external headwinds. Significant progress was made in executing our strategy and this resulted in another record performance. Revenue rose by 27% to RM194.8 million versus RM153.2 million a year ago, underpinned by solid organic and inorganic growth. All key business units (Key Accounts, Commercial, and Direct-to-Consumer) registered strong double-digit revenue growth. We wrapped the year with an impressive 66% year-on-year jump in net profit to RM71.7 million.

It is also worth noting that CTOS ended the year with a strong balance sheet and a comfortable net gearing ratio of 0.26 times. We made efficient use of the cash we generated, balancing the need for organic investment in human resources and innovation, inorganic expansion via acquisitions and returns to shareholders through dividends. In line with our improved performance, the total dividend declared in FY2022 was RM43.3 million compared to RM26.0 in FY2021, representing a dividend payout ratio of 60%.

**In line with our improved performance, the total dividend declared in FY2022 was RM43.3 million compared to RM26.0 in FY2021, representing a dividend payout ratio of 60%.**



## CHAIRMAN'S MESSAGE

### SUSTAINABILITY IN CTOS DIGITAL

CTOS Digital's commitment towards sustainability is intertwined with our mission of empowering both individuals and businesses with the confidence to make sound credit decisions through access to data and insights, leading the community to better financial health.

Since our listing in 2021, we continued making steady headway and have recently disclosed our sustainability blueprint, roadmap and set various targets to steer our ESG advancement which includes working towards the direction of achieving Net Zero by 2050. We are proud to be Malaysia's first credit reporting agency to receive an ESG rating from FTSE. The admission into the FTSE4GOOD Bursa Malaysia ("**FTSE4GOOD**") and FTSE4GOOD Bursa Malaysia Syariah ("**F4GBMS**") Indexes reinforces that we are on the right track. We secured a 4-star ESG rating, placing us among the Top 25% of public listed companies in the FTSE Bursa Malaysia EMAS Index.

We're passionate about sharing our ESG story, and we're on a journey to improve our ESG disclosure.



The Sustainability Report set out from pages 31 to 61 comprehensively details our sustainability performance, key highlights and achievements for the year under review.

**We secured a 4-star ESG rating, placing us among the Top 25% of public listed companies in the FTSE Bursa Malaysia EMAS Index**



### UPHOLDING GOVERNANCE AND INTEGRITY

CTOS Digital continues to be a strong advocate of good corporate governance practices by constantly incorporating improvements and benchmarking ourselves against international best practices. Your board recognises the utmost significance of corporate governance and internal control. We are vigilant in broadening and enhancing the governance framework to facilitate long-term growth for an agile and responsible business. In our path to sustainable growth and value creation, we are committed to transparency, pro-active stewardship practices and continuous open engagement with all stakeholder groups.

Data privacy and security are becoming increasingly prevalent topics with the growth of the digital economy and online transactions over the last few years. Given the nature of our business, we need to effectively govern our data management capabilities to prevent any potential leakages. The continued investments in our Risk Management in Technology (RMiT) and cybersecurity capabilities enable us to stay ahead by building up intelligent and reliable data security systems to prevent the increasingly sophisticated cyberattacks. Keeping our sensitive customer data safe is the cornerstone of a sustainable business.

## CHAIRMAN'S MESSAGE

## LOOKING AHEAD

**We are starting 2023 from a position of strength and have a clear strategy that will allow us to capture the potential of new verticals and exciting addressable markets.**

In addition, our team endeavours to increase our wallet share via upselling and cross-selling opportunities within business units and across related companies, including extracting synergies from our highly complementary acquisitions. We expect heightened service penetration and customer base expansion, driven by analytics insights and digital solutions.

We are also mindful of external headwinds which will come our way. In the year ahead, inflation and higher interest rates are expected to dominate the global and domestic landscapes. While we are monitoring macroeconomic trends, we believe our strong track record, superior data, and technology assets will enable us to continue delivering value for all our stakeholders throughout every economic cycle. After not just surviving but thriving in a year of unprecedented disruption, I have great confidence in our team and the future of our business.

## NEW LEADERSHIP &amp; ACKNOWLEDGEMENTS

Erick Hamburger's appointment as Group Chief Executive Officer commenced on 1 May 2022, alongside the retirement of Dennis Martin. The Board wants to take this opportunity to thank Dennis for his service and wish him well in his future endeavours. Erick brings over 28 years of corporate strategy expertise and international digital solutions experience. His leadership roles in credit bureaus across several emerging economies will undoubtedly benefit CTOS Digital. Erick was also appointed to the board as an Executive Director on 30 September 2022.

I also wish to acknowledge Garris Chen Thai Foong, who retired from her position as Group Chief Financial Officer, and welcome Chiam Hsing Chee, who stepped into this role in January 2023.

My sincere gratitude to our shareholders, customers and business partners for their valuable trust and support, and my heartfelt thanks to my fellow board members for their contributions. To our employees - your talent, commitment and enthusiasm drive our success and on behalf of the Board, I thank you sincerely for all your efforts in delivering our achievements. Last but not least, I would like to express my gratitude to regulatory authorities and government agencies for their assistance.

**As we move to 2023, we shall begin with renewed determination and commitment to achieve our goals and targets. With the growing importance of data and analytics, acceleration of the digital economy and increasing financial literacy, we are optimistic about our future prospects.**

**Tan Sri Izzuddin Bin Dali**

Independent Non-Executive Chairman  
CTOS Digital Berhad

# MANAGEMENT DISCUSSION & ANALYSIS

## FOREWORD BY OUR GROUP CEO

"I am truly delighted to introduce CTOS Digital's 2022 Annual Report, my first as the Group CEO. Since assuming this role a year ago in May 2022, it has become increasingly clear to me that we are just at the cusp of growth, looking at exciting opportunities as the leading credit reporting agency in ASEAN, where the landscape is undergoing massive shifts towards digital economy."



2022 was a transformative year for consumers and businesses. The irrevocable path towards digitalisation is becoming increasingly evident, and along with it comes the need for better financial literacy and credit decisioning. Our mission is to empower individuals and businesses with access to crucial data and insights to make sound credit decisions confidently, at greater ease and speed. This purpose is now more relevant than ever, as we help our clients and subscribers prepare for the digital future which is coming to us at full speed.

Helping people and organisations thrive in the digital economy will underpin our growth in the coming years. Data assets, analytics, and technology have become vital as the economy digitalises, making our products and services increasingly critical. The opportunities for credit, driven by the rise of the digital economy, are not only for fintech players but also for the growth of incumbent credit providers that are likewise in the process of enhancing their digital capabilities. Our addressable markets are large and expanding, and we are well-placed to take advantage of new and compelling opportunities.

### FY2022 KEY HIGHLIGHTS

- 1 Customer Acquisition**  
Solid growth across all customer segments
- 2 Growth in Data Analytics & Digital Solutions**  
Strong double digit revenue uplift
- 3 Synergistic Acquisitions**  
Concluded acquisitions & increased stake in several associate companies to pursue tactical growth and broaden product offering
- 4 Tax Incentive**  
Received approval-in-principle for extension of Pioneer Status for 5 years until November 2026
- 5 New Skilled Hires**  
Strengthened the team especially in the areas of data analytics, cybersecurity and IT transformation
- 6 Partnership & New Products**  
Broadened our partnership ecosystem & launched new products to increase visibility and penetrate new verticals
- 7 Sustainability**  
Included as a FTSE4GOOD constituent in Dec 2022 with a 4-star ESG rating

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS OVERVIEW

CTOS Digital is the holding company of and holds interests in some of ASEAN's leading credit reporting agencies, with a presence in Malaysia and Thailand. The Company's wholly-owned subsidiary CTOS Data Systems Sdn Bhd ("**CTOS Data Systems**" or "**CDS**") is the leading Credit Reporting Agency ("**CRA**") in Malaysia, with an estimated total market share by revenue increasing from 71.2% in 2020 to 72.7% in 2021. Founded in 1990, the group offers a broad suite of innovative digital products and credit management solutions and services across every stage of the customer credit lifecycle.

CUSTOMER LIFECYCLE STAGE	DESCRIPTION	DIGITAL SOLUTIONS OFFERED
<b>Identification</b>	When a customer identifies a prospective business or consumer for a new business relationship or transaction.	<ul style="list-style-type: none"> <li>• CTOS CreditFinder</li> <li>• CTOS Tenant Screening Report</li> <li>• Company Search</li> <li>• Business Listings</li> <li>• Customised Bulk Data Sales</li> </ul>
<b>Customer/ vendor onboarding</b>	The initial step of determining whether a prospective customer or vendor is suitable for a new transaction or business relationship based on their past business and financial dealings.	<ul style="list-style-type: none"> <li>• CTOS IDGuard</li> <li>• CTOS electronic Know-Your-Customer ("<b>eKYC</b>")</li> <li>• CTOS Application &amp; Decisioning ("<b>CAD</b>")</li> <li>• CTOS Credit Manager</li> <li>• CTOS Tenant Screening Report</li> </ul>
<b>Application and decisioning</b>	After a prospective customer is onboarded, the point in time when a business decides whether to extend credit to the prospective customer.	<ul style="list-style-type: none"> <li>• CAD</li> <li>• CTOS Scores</li> <li>• CTOS Credit Manager</li> <li>• CTOS Data Systems Reports, CTOS Basis Reports and External Reports</li> <li>• CTOS Basis</li> <li>• CTOS e-Trade Reference ("<b>eTR</b>")</li> <li>• eTR Plus</li> </ul>
<b>Management and monitoring</b>	Within a business' portfolio of existing customers, there are opportunities to generate new and additional sources of revenue as well as potential areas of credit risk. Effective portfolio management, analysis and monitoring can better identify these opportunities and risks.	<ul style="list-style-type: none"> <li>• CTOS Credit Manager</li> <li>• Comprehensive Portfolio Review</li> <li>• CTOS Scores</li> <li>• CTOS Portfolio Analytics and Insights</li> <li>• CTOS IDGuard</li> <li>• CTOS SecureID</li> </ul>
<b>Recovery</b>	The stage in the customer lifecycle when a business must manage its relationship with a customer that can no longer meet its credit obligations.	<ul style="list-style-type: none"> <li>• CTOS Credit Manager</li> <li>• eTR</li> <li>• eTR Plus</li> </ul>

Through our reports, products and solutions, we help consumers to better understand their credit position, gain access to financial services and protect themselves against fraud and identity theft. We also help businesses understand their customers better and improve onboarding experience while minimising credit and fraud risk.

# MANAGEMENT DISCUSSION & ANALYSIS

We mainly serve customers across three key segments:

## KEY ACCOUNTS

Accounting for 38% of FY2022 revenue, this segment consists of commercial banks and other leading large corporations within the financial institutions, telecommunications, insurance, e-commerce, and other relevant industries. The Group serves approximately 470 Key Accounts customers.

## COMMERCIAL

Contributing 54% of CTOS Digital's FY2022 topline, this segment comprises two further categories:

- Commercial-Malaysia refers to Small and Medium Enterprises ("**SMEs**") customers.
- Commercial-International includes international customers located across Asia Pacific and Europe, contributed by CTOS Basis which the Group acquired in 2021.

In total, the Group has approximately 20,000 commercial customers using its solutions and services.

## DIRECT-TO-CONSUMER ("D2C")

The Group's fastest-growing segment which brought 8% to FY2022 revenue, this segment comprises individual customers who proactively seek access to their credit information in order to more effectively manage their credit health and financial well-being.

The Group has approximately 2.5 million users registered for a self-check account.

## ASSOCIATE COMPANIES

The Group also holds stakes in several associate companies which positions us favourably in capturing the tremendous opportunities in the new digital economy.



**24.825%** in its Thailand-based associate, Business Online PCL ("**BOL**"), the leader in business decision-making solutions in Thailand. BOL is listed on the Stock Exchange of Thailand and offers a comprehensive online business information platform and various customer lifecycle, risk management, business intelligence, and data management solutions;



**49%** in Juris Technologies Sdn Bhd, a leading Malaysian-based fintech company that specialises in enterprise-class software solutions covering end-to-end credit lifecycle management; and



**57.675%** in RAM Holdings Berhad, a leading provider of independent credit ratings, research, training, risk analysis, ESG analytics, and bond pricing.

# MANAGEMENT DISCUSSION & ANALYSIS

## REVIEW OF FINANCIAL PERFORMANCE

### Statement of Comprehensive Income

We reported another year of exceptional performance in the financial year ended 31 December 2022 ("FY2022"), registering strong momentum across both top and bottom lines fuelled by organic and inorganic growth. We are executing well against our long-term plans to meet and deliver value to our shareholders.

While FY2022 carried various uncertainties from geopolitical tensions to inflationary pressures, we navigated it with exceptional success and momentum, delivering a record-breaking performance owing to solid execution.

Revenue Segmentation	FY2022 (RM '000)	FY2021 (RM '000)	YoY Change (%)
- Key Accounts	<b>74,767</b>	53,589	+39.5
- Commercial: Malaysia	<b>91,415</b>	83,205	+9.9
- Commercial: International	<b>13,320</b>	7,260	+83.5
- Direct-to-consumer	<b>15,279</b>	9,112	+67.7
Total Revenue	<b>194,781</b>	153,166	+27.2

## 27%

### YoY Revenue Growth

Demonstrating weatherproof business against a challenging economic backdrop

## 66%

### YoY jump in PATAMI

Powered by BAU performance and associate contributions

We achieved consolidated revenue of RM194.8 million, which translated to a growth of 27.2% as compared to RM153.2 million in the previous financial year ended 31 December 2021 ("FY2021"). This was driven by broad-based strength across all core business segments: Key Accounts, Commercial and Direct-to-Consumer, which recorded double-digit growth in FY2022.

We registered a gross profit of RM164.6 million, an increase of 22.9% from the previous year. Gross profit margin for the year was 84.5%. The growth in profit before tax ("PBT") outstripped revenue, increasing by 61.5% to RM85.7 million. Effective tax rate for the year was 16.3% and we wrapped FY2022 with a record profit after tax and minority interest ("PATAMI") of RM71.7 million, an increase of 66.3% measured against FY2021. Share of profits from associates amounted to RM23.3 million as compared to RM7.2 million in the preceding year. Our normalised<sup>1</sup> PATAMI of RM85.4 million exceeded the management's target of RM75-80m for FY2022. CTOS Digital's business has proven to be relevant and resilient in the face of external volatilities – the importance of data is more evident than ever as everyone seeks to make more informed decisions during challenging circumstances.

### Statement of Financial Position

CTOS Digital's total assets stood at RM735.2 million as of 31 December 2022, an increase from RM360.6 million at the end of the previous year. We completed a private placement of 110 million new shares in March 2022 which raised RM173.8 million, used to partially fund the acquisition of 49% interest in JurisTech and an additional stake in BOL. The increase in our total assets was mainly contributed by our investments in associates this year.

We also raised borrowings to partially fund the acquisition of JurisTech and RAM. As of 31 December 2022, our total borrowings (excluding lease liabilities) were RM149.5 million and our net gearing ratio at the end of the year stood at a comfortable 0.26 times.

### Rewarding Shareholders

We are grateful for the support of our valued shareholders and are committed to rewarding your loyalty through dividends. We are proud to state CTOS Digital declared total dividends of 1.875 sen per share in respect of FY2022, in the form of four interim dividends:

- first interim dividend of 0.325 sen per share paid on 10 June 2022;
- second interim dividend of 0.59 sen per share paid on 13 September 2022;
- third interim dividend of 0.60 sen per share paid on 14 December 2022; and
- fourth interim dividend of 0.36 sen per share paid on 15 March 2023.

This translates to a total dividend payout of RM43.3 million, representing a payout ratio of 60.4%, in line with our targeted payout ratio of at least 60% of our PATAMI attributable to the owners of our Company.

<sup>1</sup> Normalized PATAMI added back components including costs related to acquisitions, incremental income tax expense based on the statutory tax rate of 24% prior to renewal of pioneer status incentives and write back of prior year tax on approval of transition to the MSC Malaysia Status Services Incentive for the period from 1/7/2021 to 8/11/2021

# MANAGEMENT DISCUSSION & ANALYSIS

## OPERATIONAL REVIEW

### Updates on Business Segments

#### Key Accounts

Our clients in this segment consist of commercial banks and other leading large corporations within the financial institutions, telecommunications, insurance, e-commerce, and other relevant industries. The number of key account customers grew to 470 as of 31 December 2022, from circa 430 in the preceding year. We have a 100% client retention track record for this segment.

Revenue from Key Accounts grew by an impressive 39.5% in FY2022, driven by increased adoption of our digital solutions such as eKYC, CAD, and IDGuard. During the year, we launched end-to-end Digital Money Lending solutions powered by CTOS & JurisTech and onboarded 3 digital money lenders.

The emergence of digital banking, buy-now-pay-later services, and other fintech activities will provide growth and business opportunities for our Group. We are making good progress in our discussions with the successful digital bank licensees and in the fourth quarter of FY2022, we were officially appointed by a digital bank licensee to implement an e-onboarding system. We expect to see greater headway in the coming months, leading to positive contributions from digital banks in the coming financial year.

**The emergence of digital banking, buy-now-pay-later services, and other fintech activities will provide growth and business opportunities for our Group.**

#### Commercial

The bulk of our customers in the commercial segment are local SMEs which typically require face-to-face interaction during the onboarding process. During the Movement Control Order in 2021, the operations of our Commercial customers were momentarily impacted and this progressively turned around in FY2022 when the economy re-opened. With this, our activation rate in FY2022 improved by 28% as compared to last year.

The revenue contribution of the commercial segment increased by 15.8% in FY2022 and our churn rate continued to improve from an already low single-digit percentage. There was also improvement in average ARPU through a selective 6% price adjustment during the second quarter of the year, coupled with cross-selling/upselling initiatives.

**Our activation rate in FY2022 improved by 28% as compared to last year.**

#### D2C

CTOS Digital's total D2C customer base grew by 47% to 2.5 million registered members from 1.7 million in the previous year. This is the fastest-growing segment with a revenue jump of 67.7% YoY. The increase was driven by improved awareness via digital channels and various marketing activities during the year. We also broadened our partnership ecosystem to increase visibility and penetrate new verticals. Some partnership programs launched in FY2022 included iBilik, PolicyStreet, and Property Guru.

**CTOS Digital's total D2C customer base grew by 47% to 2.5 million registered members from 1.7 million previously.**



# MANAGEMENT DISCUSSION & ANALYSIS

## STRATEGIC ACQUISITIONS

**2022 was a busy year at CTOS Digital, marked by several strategic corporate activities aimed at future-proofing our business. Financially, we are well positioned with a strong balance sheet which allows us to conclude several acquisitions, with an aim of balancing shareholder returns while pursuing tactical growth.**

In March 2022, we completed the acquisition of 49% equity interest in Juris Technologies Sdn Bhd ("**JurisTech**"). With JurisTech now part of our Group, we can offer the best-in-class credit data, software solutions, and analytics services to bring to the market a stronger end-to-end digital lending solution proposition, establishing ourselves as a one-stop solution for financial institutions. We are starting to reap the synergies of this acquisition and have made successful inroads into the digital moneylending space by launching a CAD for moneylenders in collaboration with JurisTech.

To boost our regional presence, CTOS Digital increased its shareholdings by 2.175% in BOL Online PLC ("**BOL**") during the year, and we now hold 24.825% of BOL which is listed on the Stock Exchange of Thailand. With BOL's strong market share and presence among large corporations in Thailand, we hope to leverage greater cross-selling and sharing of best practices between both companies.

At the start of the year, we held an 8.1% stake in RAM Holdings Berhad ("**RAM**") and progressively raised it to 57.675%. This was funded through a combination of internally generated funds and borrowings. Despite our majority equity ownership in RAM, it will continue to be an associate company of CTOS Digital. As a credit rating agency, RAM's management and operations will remain independent without influence from its shareholders. We would like to state unequivocally that CTOS Digital will respect RAM's independence and integrity in all matters.

Our focus will be to work closely with RAM to strengthen its capacity to develop innovative products and solutions designed particularly for SMEs. This will provide more impetus for the growth of SMEs and support their efforts to access growth capital. It is our intention to help grow the SME industry in Malaysia, which forms the backbone of our economy.

We have now put in motion plans to realise the growth potential from these acquisitions to maximise synergies within the Group, while broadening and strengthening CTOS Digital for the future.

## RENEWAL OF PIONEER STATUS

CTOS Data Systems ("**CDS**"), the main operating subsidiary of CTOS Digital, was awarded in 2016 the ten-year pioneer status incentive by the Malaysia Digital Economy Corporation ("**MDEC**") under PIA 1986 for MSC Malaysia Qualifying Activities, at which tax exemptions are granted on the company's statutory income. The tax relief period was awarded between the period of November 2016 to November 2021, being the first five years of the ten-year tenure. Pursuant to the Grandfathering and Transitional Guidelines which became effective on 1 January 2019, the tax relief period for the first five years lasted until 30 June 2021, after which CDS requires approval from MDEC to enjoy the tax incentives throughout the transitional period.

On 26 May 2022, CDS received the approval letter from the Malaysian Investment Development Authority ("**MIDA**") via MDEC on the 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. The Transition tax exemption period was from 1 July 2021 to 8 November 2021. With this approval, there was an immediate reversal of approximately RM5.1mil in tax provisions.

On 28 July 2022, CDS further received an approval in principle from the Ministry of Finance ("**MOF**") via MDEC on the extension of income tax exemption under Section 127(3)(b) of the Income Tax Act 1967. The approval in principle is applicable until the amendment of provisions for the extension of the second five-year period under P.U. (A) 389/2018 is approved and gazetted. With this approval, CDS will enjoy tax exemption for further 5 years, effective from 9 November 2021 until 8 November 2026. The additional tax provided for the period 9 November 2021 to 31 December 2022 is RM14.6 million. This will be written back upon gazettment of Income Tax Exemption Order.

# MANAGEMENT DISCUSSION & ANALYSIS

## RISK FACTORS

### 1 Cybersecurity risks

As the Company operates in an environment surrounding the sensitive nature of information, we may be subject to efforts by unauthorised persons and/or entities who may attempt to obtain access to our system and data, or inhibit our ability to deliver solutions to our customers. A breach of our computer systems, software, networks, or other technology assets may result in a material loss of business and/or significant harm to reputation, as well as have an adverse effect on our financials and operations.

### 2 Geographical, Social, Economic, and Political risks

With business activities and investments in Malaysia and Thailand, CTOS Digital is subject to vagaries in the socio-political environments in the respective geographical markets, including changes in political leadership, risks of war, civil unrest and terrorism, risk of natural disasters, power shutdown or shortages, as well as potential restrictions on repatriation of dividends or profits.

### 3 Foreign Currency Exchange Rate risks

The Company's share of profit or loss from BOL is denominated in THB while CTOS Basis' revenue is mainly denominated in USD, Euro and Singapore Dollars (SGD). CTOS Data Systems also pays certain expenses in USD. Hence, our profit margins may be affected by the exchange rate fluctuations of these currencies against RM. Our financial statements and reporting currency are denominated in RM. Consequently, exchange rate losses resulting from the depreciation of THB, USD, Euro and SGD against RM will have an adverse effect on CTOS Digital's financial results.

### 4 Loss of CTOS Data Systems' Pioneer Status and/or MSC Malaysia status

If the Pioneer Status of CTOS Data Systems is revoked or not renewed, CTOS Data Systems' statutory income will be subjected to the prevailing statutory tax rate of 24.0% instead of the lower effective tax rate (5.3% for the financial year ended 31 December 2020). The Pioneer Status is also conditional upon CTOS Data Systems' MSC Malaysia Status remaining valid. Hence, if CTOS Data Systems' is unable to continue to comply with the requirements prescribed by MDEC, CTOS Data Systems may lose its MSC Malaysia Status, and ultimately its pioneer status.

### 5 Regulatory Risks






Our business and the business of our associates are subject to various governmental regulations, laws, and orders, including the CRA Act in Malaysia. These laws and regulations are complex and may change from time to time, and a failure to comply with them could subject us and our associates to civil or criminal penalties or other liabilities. Changes in applicable legislation or regulations that restrict or dictate how we or our associates collect, maintain, combine, and disseminate information, or that require us or our associates to provide services to consumers or a segment of consumers without charge, could adversely affect our or our associates' businesses, financial condition or results of operations.



# MANAGEMENT DISCUSSION & ANALYSIS

## STRATEGIC FOCUS AREAS

We have established growth strategies and focus areas in our quest to deliver sustainable profit growth. We are starting 2023 from a position of strength with well-defined strategies which will allow us to capture the potential of new verticals and addressable markets, especially with the rise of the digital economy. With this, the management is targeting another strong year in 2023 with normalised PATAMI between RM100-105 million. The outline of our focus areas is set out below:

 <b>BAU GROWTH</b>	 <b>DIGITAL ECOSYSTEM</b>	 <b>PROPRIETARY DATABASES</b>	 <b>NEW VERTICALS</b>	 <b>HARNESSING SYNERGIES</b>
Large addressable market in our key business segments with upselling and cross selling opportunities	Deep insights and automation through fortifying data analytics, fraud & ID and platform capabilities	Enhance coverage of alternative proprietary databases to offer more comprehensive resources with improved quality of reports	Expanding into new industries such as Automotive, Fintech, Insurance, Real Estate with refined products and services	To integrate our acquisitions to realise each company's growth potential and maximize synergies



### BAU Growth

We are a one-stop, fully integrated credit management and digital solutions service provider offering end-to-end credit management and lending solutions. This is a key competitive advantage for us and we intend to continue developing and extending our ecosystem to cement our market share leadership in Malaysia. We work closely with our customers to facilitate the digital transformation of their credit management processes, by developing new value-added digital solutions which are customised to customers' needs. This further differentiates us from most of our local and regional peers. Over the past three years, we have launched CTOS eKYC, CTOS SME Score, CTOS IDGuard, CAD, CTOS Tenant Screening Report and CAD for moneylenders. These new launches span across three customer lifecycle stages and we expect them to further increase revenue contributions from our Key Accounts and Commercial customers. We will continue to deepen wallet share via upselling and cross-selling opportunities within business units and across related companies, including extracting synergies from our highly complementary acquisitions. We expect heightened service penetration and customer base expansion, driven by analytics insights and digital solutions.



### Digital Ecosystem

The behaviour of consumers across the world is changing, and the shifts to online spending and other services have only been accelerated by the COVID-19 pandemic. New technologies will play a huge role in driving credit reporting growth. This shift will increase the need for real-time credit decisioning in digital ecosystems, creating significant opportunities for us. Currently, our suite of credit management solutions is already serving many of the P2P lenders in Malaysia, key BNPL players, and a number of local e-wallet companies. With the increased trend towards digital banking led by banks and fintech companies such as payment companies and P2P lenders, our digital solutions including but not limited to, CTOS eKYC, CAD, CTOS Portfolio Analytics and Insights, will be well placed to cater to the digitalisation of the banking economy. We are making good progress in our discussions with the successful digital bank licensees and in the fourth quarter of FY2022, a digital bank licensee officially appointed us to implement an e-onboarding system. We expect to see more significant headway in the coming months, leading to positive contributions from digital banks in the next financial year.

# MANAGEMENT DISCUSSION & ANALYSIS

## STRATEGIC FOCUS AREAS (CONTINUED)



### Proprietary Databases

CRA's in Malaysia compete on the extent of their databases and range of value-added services. Over the last 30 years, we have accumulated an extensive credit database of individuals and businesses in Malaysia. Despite our access to a wide variety of databases from various public and proprietary sources in Malaysia and internationally, we continue to deepen and broaden our data sources to provide unique insights to our customers. We have one of the largest electronic trade reference database in Malaysia. We are also expanding the information we collect to include alternative data sources such as eTR Plus. Additionally, our CTOS Enhanced Database ("CED") contains litigation and bankruptcy proceeding information shared by our subscribers such as banks, non-bank financial institutions, telecommunication companies, and law firms.

Our proactive sourcing of new databases further enhances our proprietary database, forming the groundwork necessary to provide our full suite of digital solutions. By consistently focusing on the depth and quality of information provision, we believe we can establish an even higher barrier to entry, allowing us access to high-quality information and enabling us to deliver greater value to customers. Our continued investments in data and analytics have also allowed us to better provide customer-driven digital solutions and increase our engagement with any customer across our suite of digital solutions. It has also enabled us to be quicker, more efficient, and more cost-effective across the process chain, further positioning ourselves at the forefront of the industry.



### New Verticals

We will continue expanding into new sectors with strong growth potential. These sectors are typically present in global credit bureaux, but relatively nascent and unique to the Malaysian credit reporting industry. These sectors include automotive, real estate, and insurance. Collectively, the total addressable market of the automotive, real estate, and insurance sectors is forecast to grow from RM25.1 million in 2021 to RM128.9 million by 2025, implying a 50.6% CAGR during this period, according to IDC Market Research (Malaysia) Sdn Bhd, the independent market researcher. As the market leader in Malaysia, we are well-positioned to capitalise on the growth of the automotive, real estate, and insurance sectors, as well as expand our presence in digital solutions to increase our revenue base.



### Harnessing Synergies

We are financially well positioned, with a strong balance sheet and funding liquidity, along with a proven record of converting operating profit to cash. This allows us to focus on key investment areas, balancing shareholder returns with the need for constant innovation, as well as investing in organic business growth while also pursuing strategic acquisition opportunities. Reinvesting our strong cash flow in accretive and strategic acquisitions was a central part of our growth strategy. Our M&A priorities are clear and focused on expanding and strengthening our core business. We typically seek acquisitions of digital solutions that complement ours and have direct cost and capability synergies with our digital solutions as well as businesses with significant growth potential, enabling us to expand our digital solutions offering, achieve value chain integration for our existing segments and customers, and facilitate entry into new verticals mentioned above.

2022 was a busy year where we acquired 49% of JurisTech and raised our stakes in BOL and RAM. We are focusing on integrating these acquisitions and executing our synergy and growth plans to leverage our data, products, and capabilities. We have made clear progress with JurisTech, embarking on joint account planning and carved successful inroads into the digital moneylending space by onboarding new clients. We plan to use the next 1-2 years to realise each company's growth potential and maximise synergies. We are excited as we will be reaping the fruits of our acquisition imminently.



# MANAGEMENT DISCUSSION & ANALYSIS



## ESG PRIORITIES

Our achievements are premised upon delivering sustainable and value-driven solutions to our customers and the communities and environment where we operate. In FY2022, we have intensified our ESG efforts and made commitments to take action against climate change by setting targets for emission reduction towards the target of achieving Net Zero by 2050.

CTOS Digital also unequivocally supports the fundamental rights of people, from addressing inequality to protecting human rights. It is clear that access to data and technology is essential to building a more equitable future and this belief underscores our business of turning data into information, and deploying advanced technologies and analytics.

Our efforts were recognised with the inclusion into the FTSE4GOOD Index last December. CTOS Digital secured a 4-star ESG rating, placing us among the top 25% of publicly listed companies in the FTSE Bursa Malaysia EMAS Index. This recognition will further drive us to strive for greater positive impacts and long-term sustainability, making the shareholder value more sustainable and holistic.



*The details of our ESG journey, progress, and targets are comprehensively set out in our Sustainability Report from pages 31 to 61.*

**In FY2022, we have intensified our ESG efforts and made commitments to take action against climate change by setting targets for emission reduction towards the target of achieving Net Zero by 2050.**

## ACKNOWLEDGEMENTS

**Summing it up, 2022 was another remarkable year for CTOS Digital as we continue to invest for the future while delivering record financial results.** We moved into 2023 with our eyes firmly on our vision of delivering growth by deepening our market share while capturing new and burgeoning markets. Data, intelligent analytics, and technology will drive the future of the digital economy and we are well-positioned to take advantage of the many opportunities which lie ahead. I feel energised about the future, given the momentum we are witnessing and the innovations which we are driving.

I want to thank the Board of Directors for their steadfast guidance, trust, and support in achieving and even exceeding our goals in 2022. In closing, I would like to convey my heartfelt appreciation and gratitude to each and every member of the CTOS Digital team for their unwavering dedication, hard work, and perseverance. To all stakeholders, I would like to thank you for your trust and continuous support.

**Erick Hamburger**

Group Chief Executive Officer  
CTOS Digital Berhad

# BOARD OF DIRECTORS

AS AT APRIL 2023



## TAN SRI IZZUDDIN BIN DALI

Independent  
Non-Executive Chairman



Board Meeting Attendance:



### Date of Appointment

15 August 2014

### Academic/Qualifications/Membership(s)

- Bachelor of Economics (Hons) in Public Administration (Malaya University, Malaysia)
- Master of Arts in Economics (Western Michigan University, USA)

### Relevant Working Experience

Over 36 years in various departments in various ministries and sat on the boards of a number of government-linked companies, public and private companies.

- Various senior positions in Ministry of Finance (MoF) including Secretary General, Director of Budget Division and General Manager of KLIA Berhad (seconded by the MoF) and Principal Assistant Secretary at Economics and International Division
- Secretary General of Ministry of Works
- Chairman of Lembaga Hasil Dalam Negeri
- Director of UDA Holdings Berhad
- Board Member of Bank Negara Malaysia
- Non-Independent Non-Executive Director of Malaysian Airline System Berhad

### Present Directorship(s) in other Public or Listed Companies

- Independent Non-Executive Chairman of TCS Group Holdings Berhad

### BOARD COMMITTEES MEMBERSHIP

ARC Audit & Risk Committee    NRC Nomination & Remuneration Committee    BIC Board Investment Committee    ☐ Chairman

## BOARD OF DIRECTORS

AS AT APRIL 2023



## DATO' NOORAZMAN BIN ABD AZIZ

Independent  
Non-Executive Director



Board Meeting Attendance:



ARC	NRC	BIC
8/8	3/3	4/4

### Date of Appointment

24 February 2020

### Academic/Qualifications/Membership(s)

- Bachelor of Science in Finance (Louisiana State University, USA)
- Citicorp Associate Programme Training Institute, New York, USA
- Member of the Chartered Institute of Islamic Finance Professionals (CIIF)
- Member of the Australian Institute of Company Directors
- Member of the Institute of Corporate Directors Malaysia

### Relevant Working Experience

Over 38 years of experience in banking and finance, investments, and capital markets.

- Executive Director, Investments at Khazanah Nasional Berhad
- Co-founder and Managing Director, Fajr Capital Ltd
- Managing Director and Chief Executive Officer, BIMB Holdings Berhad
- Managing Director and Chief Executive Officer, Bank Islam Malaysia Berhad
- Managing Director and Head of Corporate and Investment Banking, Citibank Berhad
- Chief Operating Officer, Bursa Securities (Kuala Lumpur Stock Exchange Berhad)
- Director General, Labuan Financial Services Authority
- Senior Vice President (Corporate Banking and Treasury), Citibank Berhad
- Investment Analyst, Perbadanan Nasional Berhad (PERNAS)

### Present Directorship(s) in other Public or Listed Companies

- Non-Independent Non-Executive Chairman of UEM Sunrise Berhad
- Non-Independent Non-Executive Director of UEM Edgenta Berhad
- Independent Non-Executive Director of Kumpulan Perangsang Selangor Berhad
- Non-Independent Non-Executive Director of PLUS Malaysia Berhad
- Independent Non-Executive Director of Sun Life Malaysia Assurance Berhad
- Independent Non-Executive Director of Sun Life Malaysia Takaful Berhad
- Chairman of the Board of Trustees of Yayasan UEM and International Centre for Education in Islamic Finance (INCEIF)

### Advisory

- Member of the Investment Panel of Kumpulan Wang Persaraan (KWAP)
- Global Advisory Board of Creador Sdn Bhd
- Limited Partner Advisory Committee of Ancora Fund Management Co. in Indonesia
- Advisor, Vynn Capital Sdn Bhd

## AS AT APRIL 2023



51



9/13

9/13

NRC

BIC

3/3

3/4

15 August 2014

- Bachelor of Science in Business Administration (Hawaii Pacific University, USA)
- MBA (Hawaii Pacific University, USA)

Over 27 years of experience in consulting, specializing in strategy development and execution and private equity.

- Senior Managing Director of Creador Sdn Bhd
- Founder of Aigeus Capital Sdn Bhd
- Partner and Managing Director of Boston Consulting Group Sdn Bhd

## Nil

## BOARD OF DIRECTORS

AS AT APRIL 2023

**LYNETTE YEOW SU-YIN**

Independent  
Non-Executive Director



Board Meeting Attendance:



11/13

NRC

3/3

**Date of Appointment**

1 October 2020

**Academic/Qualifications/Membership(s)**

- Bachelor of Arts in Law (University of Cambridge, United Kingdom)
- Master of Arts in Law (University of Cambridge, United Kingdom)
- Advocate and Solicitor of the High Court of Malaya
- Member of the Malaysian Bar

**Relevant Working Experience**

A lawyer by profession, over 28 years of experience specialising in corporate and securities laws, mergers and acquisitions and capital markets.

- Consultant, Messrs Sanjay Mohan
- Consultant, Messrs Chua Associates
- Partner, Messrs Chua Associates
- Partner, Kadir Andri & Partner
- Partner, Messrs Zaid Ibrahim & Co
- Partner, Messrs Raslan Loong

**Present Directorship(s) in other Public or Listed Companies**

- Independent Non-Executive Director of Malaysia Building Society Berhad
- Board Member of the Securities Commission Malaysia
- Trustee of The Datai Pledge

## AS AT APRIL 2023



56

**F**



85%

13/13

8/8

1 April 2021

- Bachelor of Economics (Hons) (University Malaya, Malaysia)
- MBA (International Islamic University Malaysia, Malaysia)
- Member of Malaysian Institute of Accountants (MIA)
- Chartered Global Management Accountant, UK
- Fellow of Chartered Institute of Management Accountants, UK

Over 33 years of experience specialising in banking and finance, risk management and advisory work.

- Director of Ecobuilt Holdings Bhd (Ecobuilt), Chairman of Nomination Committee and Member of Audit Committee, Ecobuilt
- Director of Credience Malaysia Sdn Bhd
- Head of Risk Management, Credit Guarantee Corporation Malaysia Berhad
- Various positions in Affin Bank Bhd, Alliance Bank, Malaysia Bhd and MBF Finance Bhd

- Independent Non-Executive Director of Petronas Dagangan Berhad
- Independent Non-Executive Director of Evergreen Fibreboard Berhad

- Member of Auditing and Assurance Standards Board, Malaysia Institute of Accountants

BOARD OF DIRECTORS

AS AT APRIL 2023



SU PUAY LENG

Independent  
Non-Executive Director



ARC	BIC
8/8	4/4

Date of Appointment

27 May 2021

Academic/Qualifications/Membership(s)

- First class honours in Bachelor of Laws (International Islamic University Malaysia)
- MBA from Judge Business School (University of Cambridge, United Kingdom)
- Advocate and Solicitor of the High Court of Malaya

Relevant Working Experience

Close to 30 years of experience within a law firm and corporate legal department.

- Head of Legal of Maxis Berhad and its subsidiaries
- In-house counsel with the Maxis group
- Legal Assistant at Messrs Skrine

Present Directorship(s) in other Public or Listed Companies

Nil

## BOARD OF DIRECTORS

AS AT APRIL 2023



### ERICK HAMBURGER

Executive Director and  
Group Chief Executive Officer



Board Meeting Attendance:



#### Date of Appointment

30 September 2022

#### Academic/Qualifications/Membership(s)

- General Management Program (Harvard Business School)
- MBA (MIT Sloan School of Management)
- Bachelor of Science, Pontificia (Universidad Javeriana, Colombia)

#### Relevant Working Experience

Over 29 years of vast experience in corporate strategy and international credit reporting sector.

- President of Experian Colombia and Mexico
- CEO of Publicar S.A. (Colombia)
- President of Brightpoint Inc. (Miami)
- Director of Strategy & Business Development at Motorola Inc. (Miami)
- Engagement Manager at McKinsey & Co (Miami)
- Director of Prepaid Products at Bell Canada (Colombia)
- Manager of Convenience Channel at British American Tobacco (Colombia)
- Assistant Brand Manager at Protect & Gamble (Colombia)

#### Present Directorship(s) in other Public or Listed Companies

- Non-Independent Non-Executive Director of BOL (listed on the Stock Exchange of Thailand)

## BOARD OF DIRECTORS

AS AT APRIL 2023

**WONG PAU MIN**

Alternate Director to  
Loh Kok Leong

41

M



Board Meeting Attendance:

**Date of Appointment**

15 February 2021

**Academic/Qualifications/Membership(s)**

- First class honours in Master of Engineering - Electrical & Information Sciences (University of Cambridge, United Kingdom)
- MBA from Haas School of Business (University of California Berkeley, USA)

**Relevant Working Experience**

Over 19 years of experience in strategic and operational expertise across Southeast Asia primarily in industrial goods, financial services and the public sector.

- Executive Director of Creador Sdn Bhd
- Principal at Boston Consulting Group
- Associate at Boston Consulting Group

**Present Directorship(s) in other Public or Listed Companies**

Nil

# KEY SENIOR MANAGEMENT

AS AT APRIL 2023



## ERICK HAMBURGER BARRAZA

Executive Director (30 September 2022)  
and Group Chief Executive Officer (1 May 2022)

For details on Erick's profile, refer to Directors' profiles in Page 26 of CTOS 2022 Annual Report



## CHIN KUAN WENG, ERIC

Chief Executive Officer of  
CTOS Data Systems Sdn Bhd



**Join Date:** 18 November 2014

### Date of Appointment of Current Position

18 November 2014

### Academic/Qualification(s)

- Bachelor of Economics majoring in Industrial Economics (Universiti Kebangsaan Malaysia)

### Relevant Working Experience

Eric has over 25 years of experience in helping senior leadership roles in business, sales and operational functions for multinationals and local corporates. He joined CTOS in 2014 as the Chief Executive Officer and he first focused on strengthening the core operations and services of the business. He has been involved in the management of Key Accounts customers, oversees Legal Department and acting as the key liaison with the regulators.

Prior to CTOS, he was Chief Operating Officer of Credit Bureau Malaysia ("CBM"). Before CBM he was the Head of Professional and Technical Division in Kelly Services (M) Sdn Bhd. And from 1998 to 2008, he worked at Siemens Malaysia Sdn Bhd under the Siemens Business Services division, and Siemens Nixdorf Information Systems (M) Sdn Bhd, where he rose through the ranks to become the Vice President of IT and business advisory in charge of management of the business performance of solutions and consulting services practice and establishing new solutions.



## CHIAM HSING CHEE

Group Chief Financial Officer



**Join Date:** 16 January 2023

### Date of Appointment of Current Position

16 January 2023

### Academic/Qualification(s)

- Bachelor of Accounting & Financial Management (Hons), University of Essex (UK)
- Diploma in Business Studies, North Manchester College (UK)

### Relevant Working Experience

Chiam joined CTOS in 2023 as the Chief Financial Officer, responsible of all finance matters, provide leadership and function as a key advisor to the business.

Prior to joining CTOS, he was with WorleyParsons Limited (WOR), a ASX-listed company based in Australia. He held various positions of increasing responsibility with the WorleyParsons group - Group Executive Group Director (Operational Finance), Head of Shared Services, Regional Group Finance Director (Asia, Middle East, North Africa & Europe) and Finance Controller.

Chiam is a global senior leader with extensive international business experience within the energy and resources industry. He has transitioned operational finance from a business-led to a functional-led model, revitalized the shared services unit to a standalone business and transformed the highly-fragmented emerging markets (which consisted of numerous joint-venture businesses) into IPO-ready structures – a vital factor to the public-listing of WorleyParsons on the ASX in 2002. At WorleyParsons, he also had cultivated a culture of technology as an enabler to achieve next-level value-adding services by embracing analytics, system enhancements and automation.

## KEY SENIOR MANAGEMENT

AS AT APRIL 2023



**TRACY GAN JO LIN**  
Chief Operating Officer of  
CTOS Data Systems Sdn Bhd



**Join Date:** 2 May 2017

**Date of Appointment of Current Position**

1 January 2019

**Academic/Qualification(s)**

- Bachelor of Business Administration (Hons) (University of Northumbria, United Kingdom)
- MBA (Nottingham Trent University, Malaysia)

**Relevant Working Experience**

Tracy joined CTOS in May 2017 as the General Manager in Customer Experience before being promoted to the Chief Operating Officer in January 2019. She has been overseeing the strategic operations management and customer experience, customer relations as well as the Commercial business segment.

She has over 23 years of experience in operations and prior to joining CTOS, she held various senior positions in Maxis Berhad as Head of Distributor and Modern Trade Management and Head of Order Management and Fulfilment. At Maxis, she was responsible to drive sales growth and reach of distributors, provide operational support, cost optimisation with regards to distributorship and to monitor and analyse distributors' performances. Before that, she was the Head of Customer Operations in TIME dotCom Berhad and General Manager for Customer Service and Human Resources at e-pay (M) Sdn Bhd.



**JAMES FANCOURT MITCHELL**  
Group Chief Technology Officer



**Join Date:** 17 May 2022

**Date of Appointment of Current Position:**

17 May 2022

**Academic/Qualification(s)**

- Bachelor of Information Technology (Hons) (The University of Queensland, Australia)
- Bachelor of Informatics (Griffith University, Australia)

**Relevant Working Experience**

James has over 30 years of experience in IT - a transformational and strategic leader with extensive knowledge of private banking, retail banking and central banking, developing and implementing systems in core banking, trading, risk, compliance, regulatory reporting, payments, document management and enterprise data management platforms. He has vast experience in operating diverse, multi-cultural environments and leading global and regional financial institutions spanning Asia, the Middle East and Europe.

Before joining CTOS, he was the Deputy Director (Head of IT Transformation) at Bank Negara Malaysia (BNM) and then went to Tata Consulting Services (TATA) as the Head of Banking & Financial Services. At BNM he was responsible for the IT Transformation Programme and has transitioned into the target organization structure and introduced new capabilities in the areas of Solution Delivery & Deployment, Cyber Security, Infrastructure, Big Data & Analytics, Vendor Management & Procurement, Testing, Enterprise Architecture and Human Resource Management.

Prior to that, he was the Associate Partner at IBM Global Business Services (Malaysia), Delivery Head Information Management & Integration at Standard Chartered Bank (Malaysia), Head of IT Shared Services at Ambank (Malaysia), Chief Information Officer at Hong Leong Bank (Malaysia), Head Change the Bank IT and Executive Director at Bank Julius Bar (Singapore) and Vice President/ Program Manager Strategic Projects at Credit Suisse (Switzerland & Singapore).

# KEY SENIOR MANAGEMENT

AS AT APRIL 2023



**IVAYLO VENKOV KOLEV, IVO**

Group Chief Data and Product Officer



**Join Date:** 8 March 2023

**Date of Appointment of Current Position:**

8 March 2023

**Academic/Qualification(s)**

- Bachelor of Computer Systems and Technologies (New Bulgarian University, Bulgaria)

**Relevant Working Experience**

Ivo joined CTOS in March 2023 as Group Chief Data and Product Officer. He is responsible for overseeing the Data, Analytics, Product and Presales teams across all business units of the Group. His remit is to expand CTOS data assets, lead analytics capabilities and set the strategic direction for the business's overall product development.

He brings close to 20 years of multinational experience in data businesses and proven track-record in leading and building high-performance teams. He previously served as the Executive Director of Creador Malaysia. Before that, he held several positions at Experian Singapore, most recently as the General Manager for APAC, where he oversaw Operations and was responsible for strategy, delivery, product development, data sourcing, and distribution. Past roles include Head of Sales & Presales for ASEAN, Senior Consultant and Data Scientist at Experian Singapore, Bulgaria and Austria.



**LIM SUE LING**

Group Senior Head of Risk and Business Compliance



**Join Date:** 6 March 2006

**Date of Appointment of Current Position**

1 May 2021

**Academic/Qualification(s)**

- Diploma in Information Technology (Informatics College, Malaysia)

**Relevant Working Experience**

Sue Ling joined CTOS since 2006 and has acquired over 16 years of experience in regulatory compliance and risk management of the credit bureau business and currently, oversees all compliance related matters of our Group.

Before she was redesignated as Group Senior Head of Risk and Business Compliance in May 2021, she held Senior Head of Risk and Business Compliance position, where she is responsible for developing and overseeing Group's enterprise risk governance framework. Her primary responsibilities include developing annual regulatory and compliance work plan and overseeing consumer redress mechanism. She has rose through the ranks from Customer Service Officer to the current position as Group Senior Head of Risk and Business Compliance. She held several roles including Special Project Officer, Assistant Manager of the Settlement and Record Update, Manager of Business Compliance and Head of Business Compliance.



# SUSTAINABILITY STATEMENT



# SUSTAINABILITY STATEMENT

## SUSTAINABILITY DISCLOSURES

At CTOS, we take our commitment to sustainability seriously. We continuously strive to improve the quality of our sustainability disclosure year after year. Transparency is key, and we aim to share relevant data on our progress as well as the challenges we face in managing sustainability risks.



### Reporting Period & Boundary

Our Sustainability Statement covers the period from 1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2022 and includes all of CTOS' activities and initiatives across our operations. We have also addressed our top material topics that influence stakeholder decisions and directly or indirectly impact our business.

### Reporting Standards

We have adhered to the following local and international standards and guidelines:

- Bursa Malaysia's Main Market Listing Requirements on Sustainability Reporting
- Global Reporting Initiative (GRI) Standards (Reference)
- The ACCA Malaysia Sustainability Reporting Guidelines for Malaysian Companies
- ISO 26000:2010 Guidance on Social Responsibility
- The United Nations Sustainable Development Goals (UN SDGs)

### Assurance

In the spirit of promoting accuracy and credibility, the internal auditor has undergone an internal review of this Statement, which is consistent with Paragraph 6.2(e) of Practice Note 9, Main Market Listing Requirements (MMLR).

### Point of Contact

We welcome all feedback and comments on ways we can improve the quality of our sustainability statement. Please contact us at: 03-2722 8888.

## SUSTAINABILITY STATEMENT

## SUSTAINABILITY KEY HIGHLIGHTS

Our purpose is to empower consumers and businesses to make sound credit decisions confidently, leading to better financial health. By helping our customers make informed and sustainable credit decisions, we can achieve excellence in credit reporting while contributing to socio-economic progress.

In 2022, we have made significant progress towards our sustainability purpose within our four Sustainability Themes:



# SUSTAINABILITY STATEMENT

## AWARDS



## LEADERSHIP COMMITMENT

### Dear Shareholders,

As a newly listed company, we are still in the early stages of our sustainability integration. We understand that we have a long road ahead, but we also know that sustainability is a journey, not a destination. Therefore, we will continue to improve our sustainability efforts each year to emerge as a sustainability leader in credit reporting.

In 2022, we have made significant progress in our sustainability journey. We have established a Sustainability Blueprint for CTOS, which is built on our purpose of empowering consumers and businesses to make sound credit decisions confidently, leading to better financial health. By helping our customers make informed and sustainable credit decisions, we can achieve excellence in credit reporting while contributing to socio-economic progress.

To further our sustainability mission, we are committed to financially educating local communities and enabling them to take control of their own credit health through our CTOS Care programme on financial inclusion, which has already delivered results. In addition, we are actively working to assess and reduce our greenhouse gas (GHG) emissions in order to protect the environment. We have set an ambitious target to reduce our emissions by 15% and are fully committed to achieving this goal.

As a firm believer of sustainability being a business imperative, we are currently integrating sustainability into our strategy and decision-making processes. The Board of Directors oversees all sustainability-related matters, ensuring consistency with our overall business strategy, which is communicated to the

entire company quarterly. The Audit and Risk Committee has delegated authority to implement sustainable practices based on guidance from the Board. Our management team discusses and approves all key sustainability matters, and each department head is responsible for operationalizing these initiatives. Our Group Head of Corporate Strategy & Planning serves as our ESG champion, accountable for the overall sustainability culture at CTOS.

In the year ahead, we will accelerate our sustainability efforts by conducting an in-depth materiality assessment with our external stakeholders. We are committed to using these insights to shape our strategies, policies, and programs and strengthen our integration of sustainability.

As a testament to our steady progress in sustainability, I am pleased to report that CTOS has been listed included as a constituent of both the FTSE4Good Bursa Malaysia (FTSE4Good) Index and FTSE4Good Bursa Malaysia Shariah (F4GBMS) Index. This is an encouraging development, and has reinforced our team's drive in sustainability.

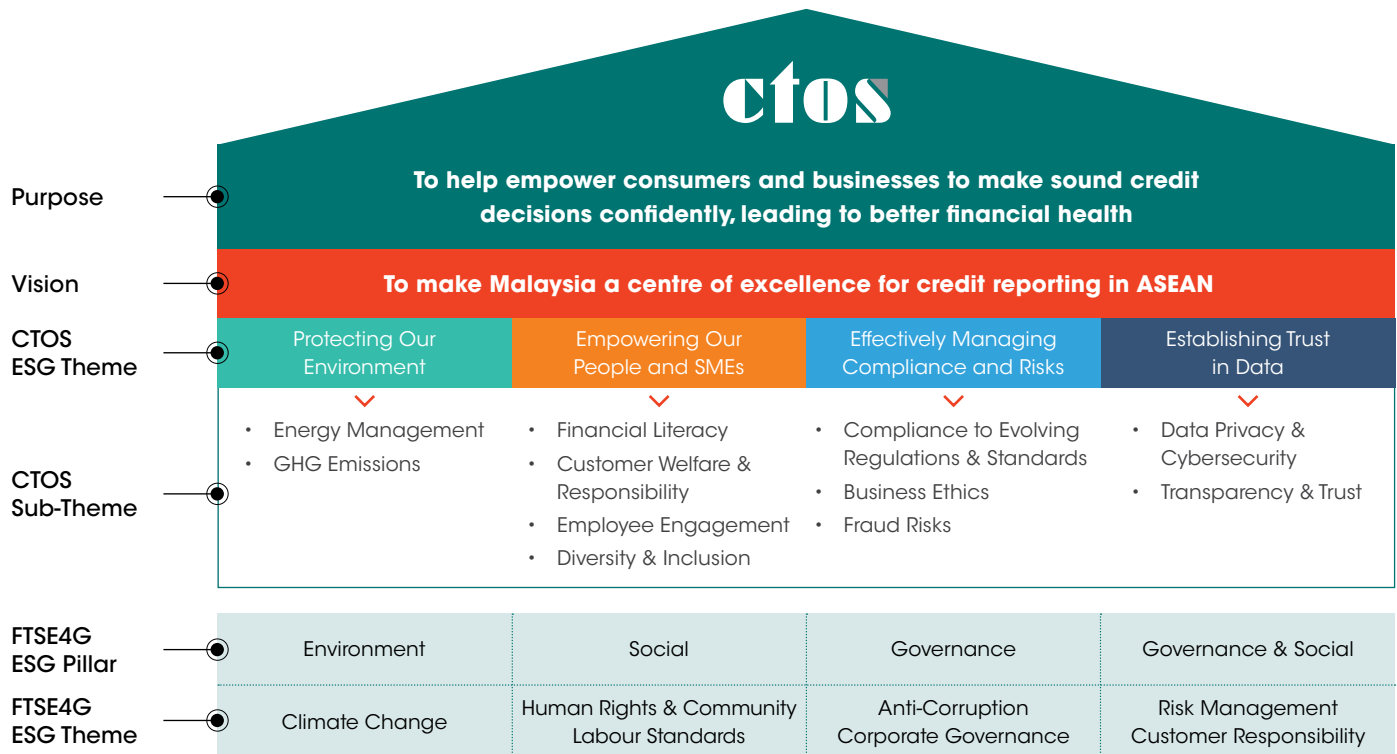
With that, I thank you for your support as we work towards building a more sustainable future for CTOS and our stakeholders.

**Erick Hamburger**

Group Chief Executive Officer  
CTOS Digital Berhad

## SUSTAINABILITY STATEMENT

## Sustainability Blueprint for CTOS Digital



## WHAT SUSTAINABILITY MEANS TO US

## STAKEHOLDER ENGAGEMENT

By engaging with stakeholders, we can better understand their expectations and needs, and integrate their feedback and suggestions into its sustainability initiatives. This collaborative approach also helps to build trust and strengthen relationships with stakeholders, which is essential for the long-term success of our company. Ultimately, by engaging with its stakeholders, we improve the effectiveness and relevance of our sustainability programmes, and drive positive social, environmental, and economic impact.

## FREQUENCY OF ENGAGEMENT

O Ongoing
 D Daily
 M Monthly
 Q Quarterly
 A Annually
 T Twice a year

Stakeholders	Key Concerns	Our Objective	Engagement Platform
Shareholders & Investors	<ul style="list-style-type: none"> <li>Business sustainability</li> <li>Shareholder and investor relations</li> <li>Shareholder returns</li> <li>Corporate Governance</li> <li>Strategic Growth Plans</li> </ul>	<ul style="list-style-type: none"> <li>To secure financial capital required for operational commencement, business continuity and growth sustainability</li> </ul>	<span>A</span> Annual General Meetings (AGMs)
			<span>A</span> Conference and meetings
			<span>D</span> Website
			<span>A</span> Investors and analyst briefings, roadshows and forums

# SUSTAINABILITY STATEMENT

Stakeholders	Key Concerns	Our Objective	Engagement Platform
<b>Government Bodies and Regulators</b>	<ul style="list-style-type: none"> <li>Regulatory Compliance</li> <li>Ethical Business Practices</li> <li>Health and Safety Practices</li> <li>Environmental management and compliance</li> <li>Cybersecurity</li> </ul>	<ul style="list-style-type: none"> <li>To safeguard various licenses and permits to simply exist, operate and thrive</li> </ul>	<ul style="list-style-type: none"> <li><b>O</b> Continuous active engagement and consultations</li> </ul>
		<ul style="list-style-type: none"> <li>To avert violations or breaches of relevant laws and standards that could result in fines, penalties, forfeitures or sanctions</li> </ul>	<ul style="list-style-type: none"> <li><b>A</b> Independent Engagement Survey</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Customer Engagement</li> <li>Customer Accessibility</li> <li>Customer Satisfaction</li> <li>Service Assurance</li> <li>Customer Training</li> </ul>	<ul style="list-style-type: none"> <li>To acquire new and/or retain existing customers</li> </ul>	<ul style="list-style-type: none"> <li><b>D</b> Checkpoint call / face-to-face appointment</li> </ul>
		<ul style="list-style-type: none"> <li>To convert customers into repeat and long-standing customers by meeting customer requirements and expectations</li> </ul>	<ul style="list-style-type: none"> <li><b>D</b> Multi-channel touchpoints</li> </ul>
			<ul style="list-style-type: none"> <li><b>D</b> Customer Onboarding</li> </ul>
			<ul style="list-style-type: none"> <li><b>D</b> Regular meetings and day-to-day interactions</li> </ul>
			<ul style="list-style-type: none"> <li><b>A</b> NPS Survey</li> </ul>
		<ul style="list-style-type: none"> <li>To capitalise on valuable customer feedback in achieving strategic, financial operational excellence</li> </ul>	<ul style="list-style-type: none"> <li><b>O</b> Response to customers from SLA Management</li> </ul>
			<ul style="list-style-type: none"> <li><b>M</b> Credit Manager Training</li> </ul>
<b>Suppliers and Partners</b>	<ul style="list-style-type: none"> <li>Ethical Business Practices</li> <li>Sustainability in supply chain</li> <li>Company performance</li> <li>Continuous Value Creation</li> </ul>	<ul style="list-style-type: none"> <li>To ensure delivery of products and services of the best value</li> </ul>	<ul style="list-style-type: none"> <li><b>A</b> Audit</li> </ul>
		<ul style="list-style-type: none"> <li>To contribute to the development of capacities and capabilities of our business partners</li> </ul>	<ul style="list-style-type: none"> <li><b>O</b> Regular meetings and daily interactions</li> </ul>
			<ul style="list-style-type: none"> <li><b>A</b> Strategic dialogues</li> </ul>
		<ul style="list-style-type: none"> <li>To support various national agendas</li> </ul>	<ul style="list-style-type: none"> <li><b>Q</b> Conferences and forums</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Employee engagement and work-life balance</li> <li>People learning and development</li> <li>Diversity and equality</li> </ul>	<ul style="list-style-type: none"> <li>To build an innovative, creative, productive, diverse and inclusive workforce</li> </ul>	<ul style="list-style-type: none"> <li><b>T</b> Employee Engagement Survey</li> </ul>
		<ul style="list-style-type: none"> <li>To attract, develop and retain the best talents particularly among Malaysian citizens for our company's survival and sustainability</li> </ul>	<ul style="list-style-type: none"> <li><b>O</b> "WE CARE" activities</li> </ul>
<b>Local Communities</b>	<ul style="list-style-type: none"> <li>Accessibility for SMEs Financial literacy and inclusion</li> <li>Ethical Business practices</li> <li>Good governance</li> </ul>	<ul style="list-style-type: none"> <li>To build diverse, inclusive, balanced, resilient and sustainable societies and economies that thrive and reflects on our social citizenship</li> </ul>	<ul style="list-style-type: none"> <li><b>A</b> Independent stakeholder engagement survey</li> </ul>

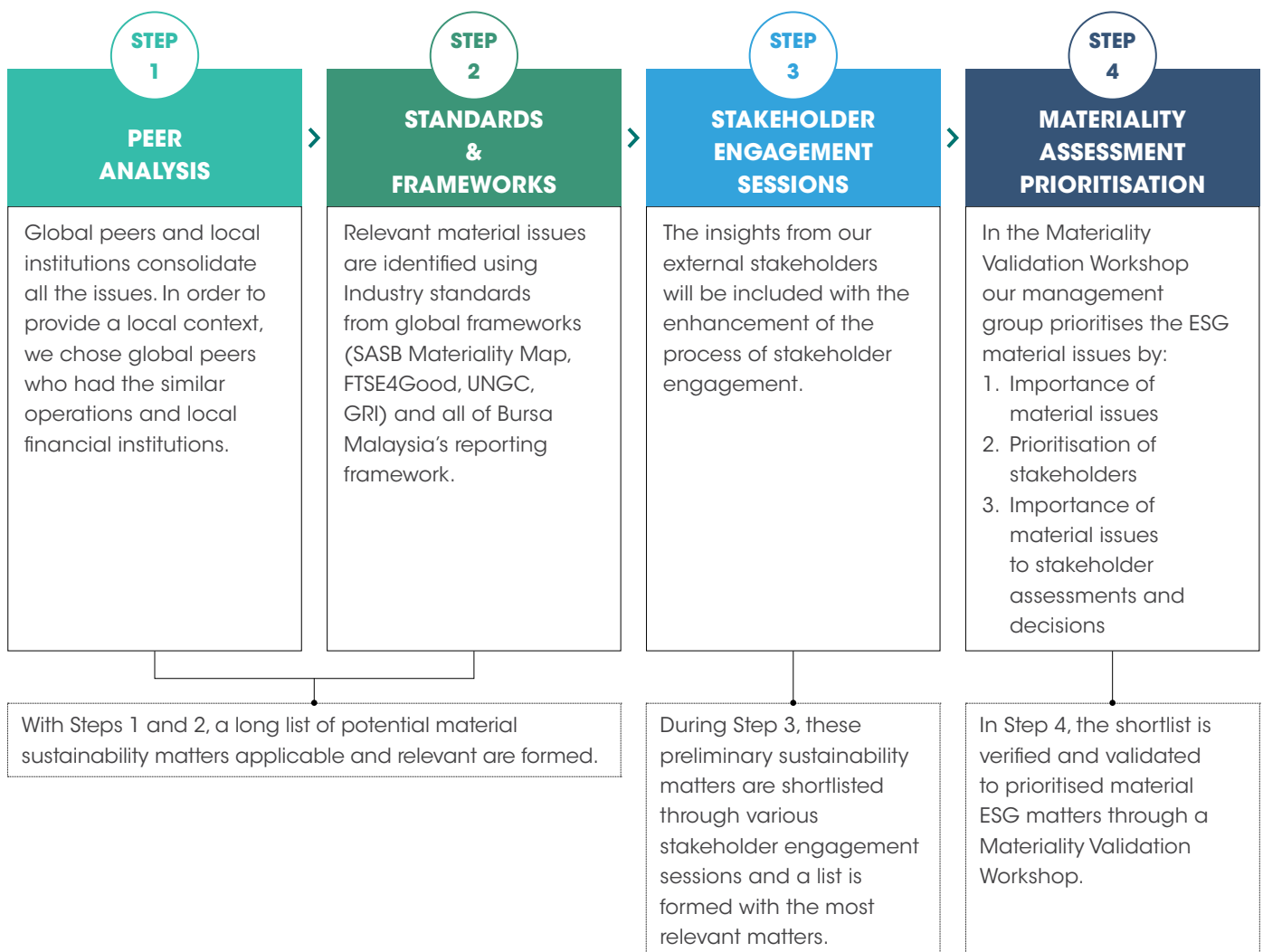
## SUSTAINABILITY STATEMENT

## MATERIAL MATTERS

We recognise the importance of identifying and addressing ESG issues that are most relevant to our business and industry. Through the application of materiality, we incorporate stakeholder feedback and expectations into our sustainability strategy. By prioritising the most material ESG issues, we can effectively allocate resources and focus our efforts where we will have the greatest impact.

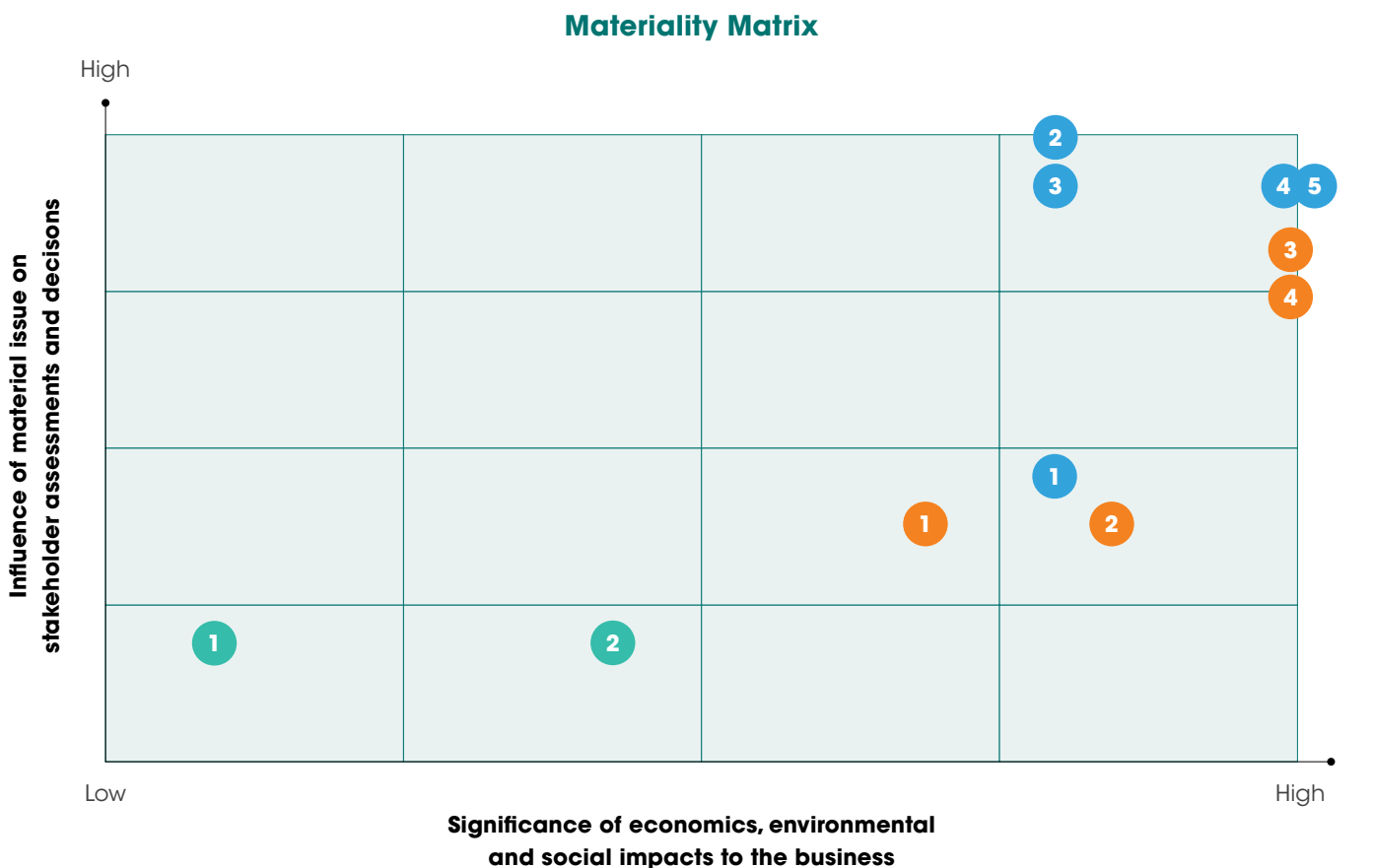
Our current material matters are based on an assessment done in 2021. Given that this was our first materiality exercise, we limited our engagement solely with internal stakeholders. Future stakeholder engagement sessions in relation to the materiality assessment exercises will involve our external stakeholders for a more extensive, diverse and inclusive horizon.

## MATERIALITY METHODOLOGY



# SUSTAINABILITY STATEMENT

Following our materiality assessment, we have identified the 10 material matters, as shown in the matrix below:



ENVIRONMENT	SOCIAL	GOVERNANCE
<ul style="list-style-type: none"> <li>1 GHG Emission</li> <li>2 Energy Management</li> </ul>	<ul style="list-style-type: none"> <li>1 Diversity &amp; Inclusion</li> <li>2 Employee Engagement</li> <li>3 Financial Literacy &amp; Inclusion</li> <li>4 Customer Welfare &amp; Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>1 Fraud Risk</li> <li>2 Transparency &amp; Trust</li> <li>3 Business Ethics</li> <li>4 Compliance to Evolving Regulations &amp; Standards</li> <li>5 Data Privacy &amp; Cybersecurity</li> </ul>

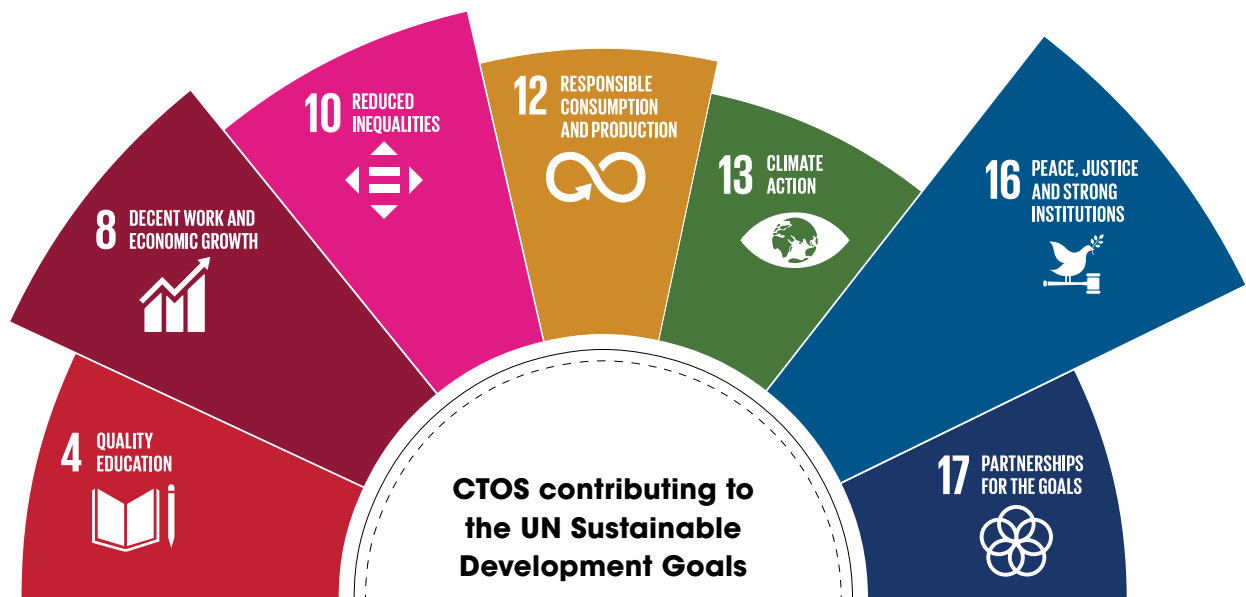
In 2022, we streamlined our material matters for clarity purposes. Since there was a strong relationship between and small overlap in content, we have merged two material matters: GHG emission & Energy Management. The new material matter is named Climate Action, in line with the Sustainable Development Goals of the United Nations, under which we will report about all our emissions as well as our energy management.

## SUSTAINABILITY STATEMENT

## CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) are a call for action to promote prosperity while protecting the planet. As CTOS, we are committed to contribute to the SDGs and have collectively selected the top SDGs priorities. Our key SDGs are listed below.

## CTOS Key SDGs



These seven SDGs were selected as our top priority based on the impact we make as a company towards our sustainability themes and material matters. Our sustainability theme 'Empowering our People and SMEs' creates impact on SDG 4 Quality Education, SDG 8 Decent Work and Economic Growth, SDG 10 Reduced Inequalities, SDG 16 Peace Justice and Strong Institutions, and SDG 17 Partnerships For The Goals. Particularly in our material matter 'Financial Literacy' which brings the biggest impact on all these SDGs. We contribute to society by using our core business strength. We are dedicated to educating consumers and businesses regarding their financial health and credit risks, as well as facilitating access to financial products and services, particularly for underbanked or unbanked communities. By offering high quality education for all, we contribute to

SDG 4 Quality Education which contributes to a wealthier society and therefore additionally makes impact on SDG 8 Decent Work and Economic Growth. By offering these services for free or at an affordable price for underbanked or unbanked communities, we contribute to SDG 10 Reduced Inequalities. Furthermore, an impact is also made on SDG 17 Partnerships for the Goals by us working alongside non-profit organisations.












Within our sustainability theme 'Protecting our Environment' we focus specifically on SDG 13 Climate Action, while contributing to SDG12. Our commitment is to reduce the direct and indirect GHG emissions that are linked to our operations covering Scope 1, 2 and 3 emissions.










## SUSTAINABILITY STATEMENT

## MANAGEMENT APPROACH TO SUSTAINABILITY

The following table defines the qualified Sustainability Themes and Material Sustainability Matters in more detail. Furthermore it shows which SDGs are impacted by each Material Matter.

Sustainability Themes	Description	Material ESG Matters	Definition	Refer to respective page for each theme	SDGs
Environment					
 <b>Protecting our Environment</b>	Continued monitoring of CTOS' environmental footprint and impact to reduce GHG emissions, whilst also enhancing energy efficiency	Climate Action	Environmental impacts associated with energy consumption. It addresses the management of energy efficiency, intensity, and energy mix, from sources such as data centres and offices	Pg 44	 
			The release of direct and indirect greenhouse gases that are linked to the company's operations, covering Scope 1, 2 and 3 emissions.		
			Scope 1 includes direct Greenhouse Gas (GHG) emissions from sources that are owned or controlled by the company (e.g., combustion in entity- owned vehicles).		
			Scope 2 are indirect GHG emissions from the generation of purchased energy (e.g., purchased electricity in offices). Scope 3 emissions are all other indirect GHG emissions from the company's value chain		
Social					
 <b>Empowering our People and SMEs</b>	CTOS continues to build an engaged and diverse workforce, whilst simultaneously considering customer welfare and the development of local SMEs	Financial Literacy & Inclusion	Educating consumers and businesses (including SMEs) regarding their financial health and credit risks, as well as facilitating access to affordable financial products and services, particularly for underbanked or unbanked communities	Pg 47	   
		Customer Welfare & Responsibility	Providing services to customers that are aligned with societal expectations, ensuring a smooth customer experience, and listening and responding to customer feedback. This also includes treating customers fairly in the conduct of our business, as well as providing them with accurate, adequate and easily understood information on the services they receive	Pg 49	
		Employee Engagement	The cultivation of stronger connections with employees (commonly measured by the level of employee satisfaction and commitment to the company) through team bonding activities, employee gatherings, and the investment in and development of a talent pool of employees and leadership	Pg 50	 
		Diversity & Inclusion	Diversity refers to a mixed and balanced representation of workers in the organisation, in regard to race, gender, ethnicity, religion and other group identities; Inclusion refers to a workplace where there are equal opportunities for contribution and influence	Pg 52	

## SUSTAINABILITY STATEMENT

Sustainability Themes	Description	Material ESG Matters	Definition	Refer to respective page for each theme	SDGs
<b>Governance</b>					
 <b>Effectively Managing Compliance and Risks</b>	Building a culture that emphasises proper business conduct, in line with comprehensive compliance to the relevant regulations and standards, as part of the enterprise's risk management framework	Compliance to Evolving Regulations & Standards	Constant review and maintenance of compliance with fast-changing acts, enactments, rules, regulations, bylaws, standards and best practices in any jurisdiction that are relevant and applicable to the company	Pg 54	
		Business Ethics	The ethical conduct of business which includes the management of risk associated with corruption, fraud, bias, misrepresentation, conflicts of interest, negligence and other factors with an ethical component. It also extends to ensuring the organisation's values, principles, standards and norms of behaviour (e.g., code of conduct and code of ethics) are developed and implemented	Pg 56	
		Fraud Risks	The management of risks arising from fraudulent activities arising at each stage of the customer lifecycle, such as identity theft in the loan origination or credit application process	Pg 57	
 <b>Establishing Trust in Data</b>	Governing data management capabilities and continuing to comply with relevant standards for information security	Data Privacy & Cybersecurity	The provision of complete and accurate disclosure of business activities, data handling, data use and other material matters in order to maintain trust and facilitate productive discussions between the company and its stakeholders	Pg 59	
		Transparency & Trust	The management of customer data confidentiality, mitigation of data breach risks, protection of personal data from unauthorised access or attacks that are aimed for exploitation of the information. This includes a company's approach to collecting data, obtaining consent, and managing user expectations regarding how their data is used	Pg 61	

# SUSTAINABILITY STATEMENT

## GOVERNANCE STRUCTURE

### SUSTAINABILITY GOVERNANCE STRUCTURE

Sustainability plays an important role throughout our governance systems and processes. Our Board takes overall accountability for the management of all risks and opportunities, including all ESG related risks such as climate change. Therefore, ESG-based KPIs are assigned to the leadership team by our CEO and our Head of Corporate Strategy & Planning. All departments' heads are assigned to specific sustainability responsibilities to drive ESG implementation across all levels.

FREQUENCY >		
<span>B</span> Bi-weekly <span>M</span> Monthly <span>Q</span> Quarterly		
LEAD	RESPONSIBILITY	FREQUENCY
Group Head of Corp Strategy & Planning	Update on the progress & highlights on key concerns	<span>B</span>
Group CEO	Align Key Metrics	<span>M</span>
Risk Management Committee (RMC)	Review Key Sustainability Matters Progress	<span>Q</span>
Audit and Risk Committee (ARC)	Review Key Sustainability Matters Progress	<span>Q</span>
Board of Directors	Review Key Sustainability Matters Progress	<span>Q</span>
Other C-level & Head of Departments	Develop a list of sustainability responsibilities as additional tasks for each committee, department, and other business division leaders to drive ESG implementation company-wide across all levels	

### SUSTAINABILITY RISK MANAGEMENT

Sustainability is a key component to effective risk management that allows us to proactively deal with emerging sustainability risk. In the long run, we can better protect our stakeholder value and business performance. ESG matters are integrated in our existing risk management system, thus enabling us to future-proof our business. Additionally, quarterly risk management reporting is carried out on a regular basis with our Audit Risk Committee (ARC). Both the ARC as well as the Risk Management Committee (RMC) review the progress on our key sustainability matters each quarter.



## SUSTAINABILITY STATEMENT

## DRIVING IMPACT IN THE INDUSTRY



We are passionate about establishing ourselves as an industry Thought Leader. Part of this commitment includes contributing to the Association of Credit Reporting Agencies (ACRA), which represents the Malaysian credit reporting industry and fosters engagement and cooperation among key stakeholders to develop a professional, competitive, and dynamic industry in Malaysia. We do not just sit on the sidelines either. We are actively involved in discussions on key regulatory changes, industry best practices, technological advancements, and cyber risks that affect the credit reporting industry in Malaysia.

We also take the lead in high-impact initiatives, such as promoting financial literacy and improving access to financing. Our collaborations with various stakeholders, including government agencies, non-governmental organizations, banks and financial institutions, and industry associations, allow us to drive positive change and make a meaningful impact in our industry.

## CREATING VALUES

At the core of our business lies a commitment to sustainability. Our objective is to create value by optimising our impact on the environment and stakeholders, while ensuring good governance across all our operations. We pursue strategies that address our material topics and measure their impact, so that we can constantly improve our performance.

In the pages ahead, we dive deeper into our sustainability performance across four key themes and their associated material matters.



## PROTECTING OUR ENVIRONMENT

<b>M1</b>	<b>Climate Action</b>	<b>44</b>
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## EMPOWERING OUR PEOPLE AND SMEs

<b>M2</b>	<b>Financial Literacy</b>	<b>47</b>
<b>M3</b>	<b>Customer Welfare &amp; Responsibility</b>	<b>49</b>
<b>M4</b>	<b>Employee Engagement</b>	<b>50</b>
<b>M5</b>	<b>Diversity &amp; Inclusion</b>	<b>52</b>



## EFFECTIVELY MANAGING COMPLIANCE AND RISKS

<b>M6</b>	<b>Compliance to Evolving Regulations &amp; Standards</b>	<b>54</b>
<b>M7</b>	<b>Business Ethics</b>	<b>56</b>
<b>M8</b>	<b>Fraud Risks</b>	<b>57</b>



## ESTABLISHING TRUST IN DATA

<b>M9</b>	<b>Data Privacy &amp; Cybersecurity</b>	<b>58</b>
<b>M10</b>	<b>Transparency &amp; Trust</b>	<b>60</b>

# SUSTAINABILITY STATEMENT

## PROTECTING OUR ENVIRONMENT

### M1 Climate Action

#### Why Is It Important

Climate change poses one of the greatest threats to humanity, and reducing greenhouse gas (GHG) emissions and limiting global temperature rise are essential to mitigating the risk of climate disasters that threaten social well-being and economic development. Our business is exposed to two types of climate risks:

Physical	Transitional
Major disruption and losses due to the physical damages incurred by extreme weather events.	Reputational, compliance or market challenges stemming from the global transitions towards a low-carbon economy.

Reducing GHG emissions is key to mitigating both types of risks. In addition to reducing risk, it also improves efficiency, cost-effectiveness and competitiveness. It is imperative that the whole world drastically reduces carbon emissions to avoid the devastating effects of climate change. As a company, we have a responsibility to lead by example and align with the global climate agenda to protect our stakeholders and ensure the long-term sustainability of our business.



#### What is Our Approach

At CTOS, we are committed to reducing our environmental impact while actively seeking ways to create positive change. We understand the importance of being accountable for our greenhouse gas (GHG) emissions and have taken a comprehensive approach to monitor and report them, including the voluntary scope 3 alongside mandatory scope 1 and 2. This demonstrates our strong dedication to GHG management and sustainability practices.

To kickstart our journey, we have implemented a "Going Green" initiative to address our carbon footprint. Our ultimate goal is to be an organization that contributes to the United Nations' Sustainable Development Agenda. Although we are still in the early stages of our sustainability journey, we remain dedicated to achieving this goal. To guide our efforts, we have developed a sustainability blueprint for 2022-2025 that integrates sustainability practices into our operations.

As part of our climate action efforts, we are focused on reducing our emissions according to the following three scopes:

SCOPE 1
Includes direct GHG emissions from sources owned or controlled by the company, such as combustion in entity-owned vehicles.
SCOPE 2
Includes indirect GHG emissions from the generation of purchased energy, such as purchased electricity used in offices.
SCOPE 3
Includes all other indirect GHG emissions from the company's value chain. While we have not yet begun measuring this scope in 2022, we are planning to start these measurements in 2023.

## SUSTAINABILITY STATEMENT

To progressively reduce our emissions, we have established short to medium-term carbon reduction targets to support the transition towards a low carbon economy:

- Reducing Scope 2 emissions by 15% by 2025, from 2022 levels
- Having carbon offset for Scope 1 and 2 emissions gradually over the 5 years in operations only
- Reducing Scope 3 emissions by 15%, by 2030

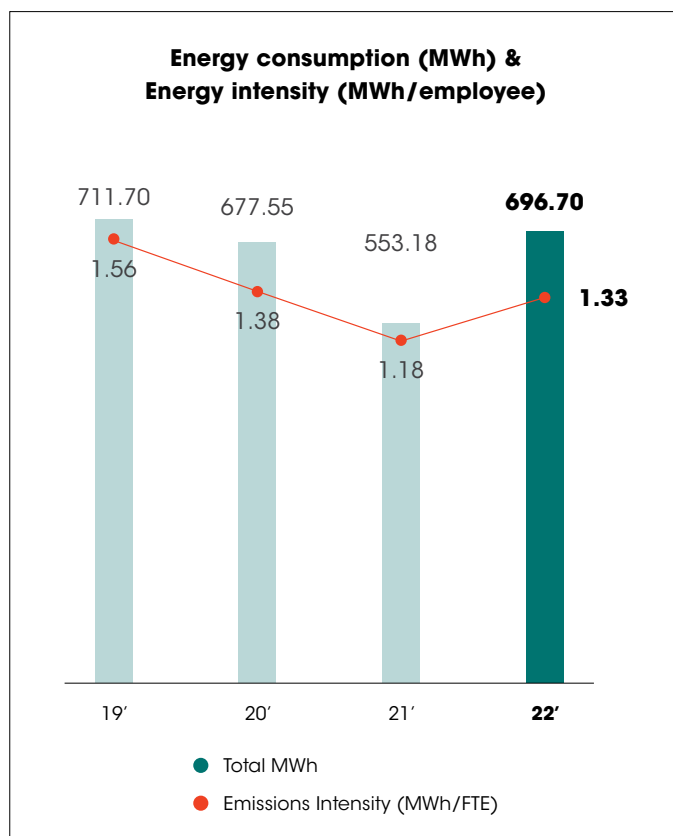
As we progress on our sustainability journey, we will introduce long-term carbon reduction targets, with the ambition of achieving Net Zero by 2050.

### Value Creation in 2022

#### 1. Reduce electricity

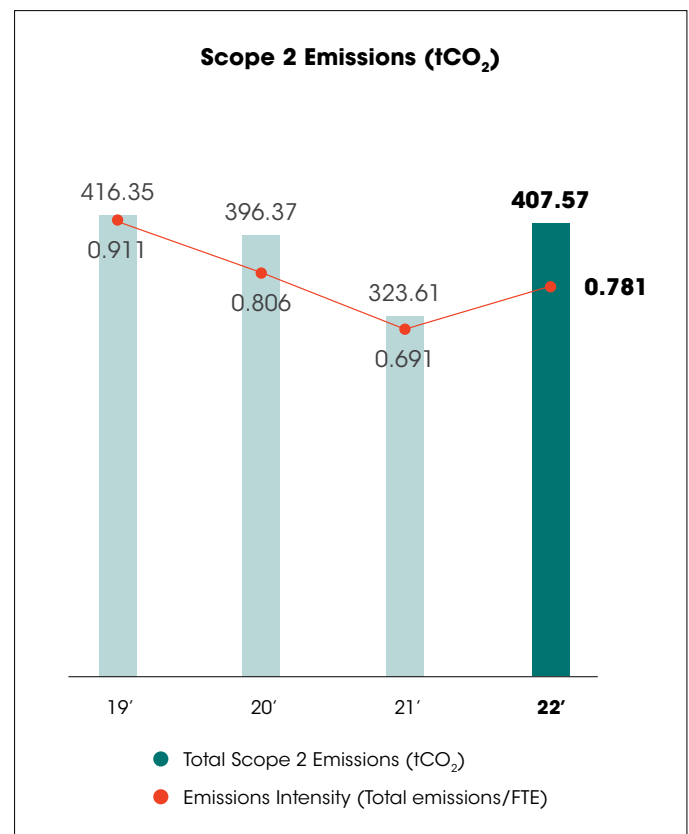
Since 2019, we have been monitoring our Scope 2 emissions, beginning with our energy consumption. We have been tracking all energy used by our facilities on a monthly basis.

Our data shows that our energy usage has increased slightly in 2022 compared to 2021, as we have transitioned from working from home to the office. However, we are committed to reducing our overall energy consumption to achieve our carbon targets.



#### 2. GHG Emission

Through our efforts in 2022, we have achieved a reduction of 3% in overall Scope 1 and Scope 2 carbon emissions compared to our 2019 baseline:



Additionally, our carbon emissions per employee were lower compared to our 2019 baseline, despite the lifting of movement restrictions. This has strengthened our determination to achieve the lowest possible emissions per employee at CTOS.

Total Emissions (tCO <sub>2</sub> e)	2019	2020	2021	2022
Scope 1	3.36	1.30	0.50	<b>0.82</b>
Scope 2	416.35	396.37	323.61	<b>407.57</b>

# SUSTAINABILITY STATEMENT

## 3. Waste Management

What We Did	Results/Achievements
<b>Recycling</b>	<ul style="list-style-type: none"> <li>• "Paper Day Campaign" was promoted across CTOS Offices nationwide to instil the importance of recycling.</li> <li>• All paper required will be shredded and extended to vendors for recycling on a monthly basis where vendors will collect from our office for recycling of papers.</li> <li>• All the used printer cartridges are returned back to the vendor to ensure that these items do not end up in landfills.</li> <li>• Instalment of waste disposal bins to manage the waste efficiently and incorporate training programmes to educate staff on how to reduce the volume of waste.</li> </ul>
<b>Reduce paper</b>	<ul style="list-style-type: none"> <li>• Mandatory printing procedure whereby printing is only allowed when necessary and approved via e-signature.</li> <li>• Default printer setting where we have adopted printing on both sides to reduce carbon footprint.</li> <li>• Use papers Certified with the Programme for the Endorsement of Forest Certification (PEFC) to promote sustainable forest management.</li> <li>• Install hand dryers for employees to reduce the usage of hand paper towels in the office.</li> </ul>

## 4. Green Culture

Plants are placed throughout our office to promote a "green culture". This aims to raise green awareness for employees while also creating a more natural and warm work environment.

## 5. Moving Forward

In 2023, we will take significant steps to achieve our goals. We will develop a comprehensive GHG inventory for Scope 1 and Scope 2 emissions, implement a strategy and action plan based on our Group-wide ESG metrics, and prioritize environmental management. Our focus will be on developing a Roadmap towards achieving Net Zero impact, reporting our progress to the Carbon Disclosure Project, and supporting the transition to a low-carbon economy. Additionally, we are considering introducing TCFD disclosures, metrics and targets, and SBTi commitments.

## SUSTAINABILITY STATEMENT

## ● EMPOWERING OUR PEOPLE AND SMES

## M2 FINANCIAL LITERACY

**Why Is It Important**

It has always been our vision to make Malaysia a centre of excellence for credit reporting in ASEAN, and we aim to empower more Malaysians to achieve sustainable credit wellbeing through increased financial literacy levels. A robust financial literacy rate in Malaysia will lead to better financial inclusion, which results in the wellbeing of its citizens and in turn, will help the nation achieve economic growth and sustainable development.

Our goal is to empower individuals and businesses in Malaysia to take charge of their credit health while improving their financial literacy through educational programmes. We are committed to ensuring that Malaysians, regardless of their background or financial standing, have the tools and knowledge to make informed financial decisions, leading to greater financial inclusion and stability in Malaysia.

**What is Our Approach**

We are dedicated to promoting financial literacy and empowering individuals and businesses with the knowledge and skills they need to make informed financial decisions. Our programs are specifically designed to positively impact and strengthen links

with the local community and indigenous people in the areas where we operate.

We understand the importance of educating consumers and small to medium-sized enterprises (SMEs) about their financial health and credit risks. We provide access to affordable financial products and services, with a particular emphasis on underbanked and unbanked communities.

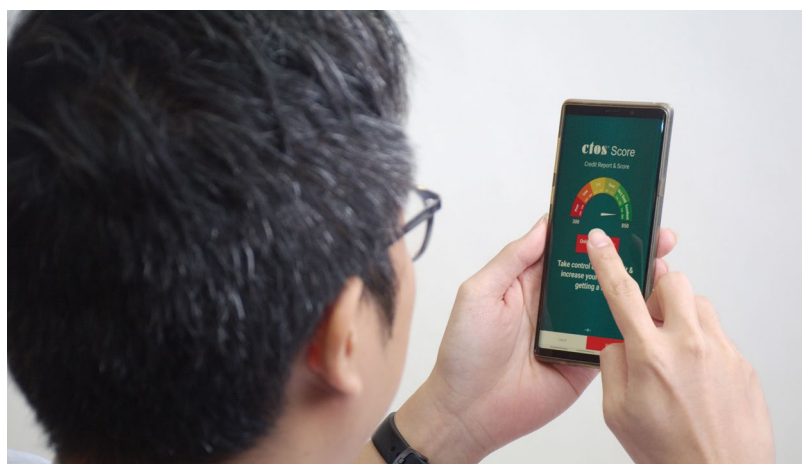
To achieve our goal of enhancing financial literacy, we have several ongoing initiatives in place under the CTOS Cares umbrella. They are designed in alignment with the United Nations' Sustainable Development Goals i.e., Reduced Inequalities, Quality Education and Decent Work and Economic Growth.

The programme has a two-fold approach:

1. Providing local communities with necessary tools and knowledge as part of the core of the business
2. Improving their financial awareness through educational programs.

Our primary focus is to provide self-check convenience to our customers while offering a range of tools such as credit scoring, advisory services, guidance, and know-how. This includes educating our customers on what affects their credit score and providing them with the necessary information and resources to improve it.

Our commitment to promoting financial literacy reflects our dedication to being socially responsible and having a positive impact on society. We believe that by educating individuals and businesses about financial literacy, we can create a more financially savvy and secure community.



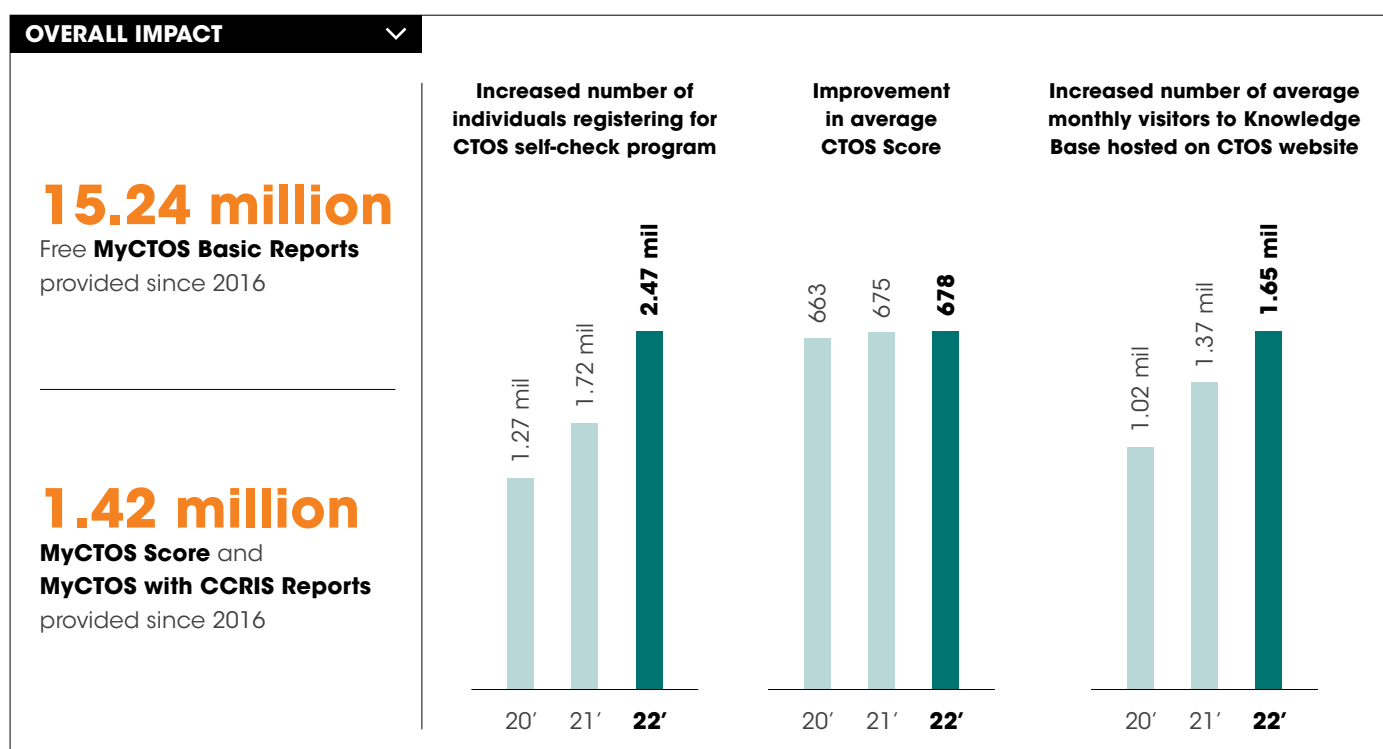
➤ Our primary focus is to provide self-check convenience and increase credit health awareness.

# SUSTAINABILITY STATEMENT

## Value Creation in 2022

Focus Areas	What We Do
<b>Provide FREE &amp; paid Reports</b>	We have provided more than 15.24 million free MyCTOS Basic Reports and over 1.42 million free MyCTOS Score and MyCTOS with CCRIS reports to consumers and businesses alike, to encourage them to take charge of their credit health.
<b>Financial Education Programs through Media</b>	We offer integrated financial education programs, online and offline, year-round, to promote financial education and inclusion. Our content is available through newspapers, magazines, e-news, e-magazine platforms, TV, radio, YouTube, and all our social media channels.
<b>Educational Content for readerships</b>	Our website's Knowledge Base contains a vast array of educational content related to credit health, scoring, finances, budgeting, and more. Over 600,000 monthly visitors benefit from the resources, and we expect the number to grow as more consumers access credit health and financial education.
<b>Roadshows and Webinars</b>	We've conducted 400+ financial education roadshows and webinars nationwide, in partnership with Bank Negara Malaysia, the Ministry of Finance, the Employee Provident Fund, the Credit Counselling and Debt Management Agency, the Ministry of Housing and Local Government, the Private Pension Administrator Malaysia, the Social Security Organization, Bursa Malaysia, various government agencies, banks, and property developers. These initiatives aim to empower consumers to enhance their financial management skills and improve their credit health and personal finances. We also hosted 24 webinars that cater to SMEs.
<b>Partnerships</b>	We partner with the Creador Foundation via its non-profit financial literacy platform Multiply to provide regular financial education content across our social media channels. This partnership gives consumers access to a broad range of tips and tools to manage their personal finances.

Through these initiatives, we provide consumers with the opportunity to learn, engage, and strengthen their financial management skills, empowering them to improve their credit health and personal finances.



## SUSTAINABILITY STATEMENT

**M3 CUSTOMER WELFARE AND RESPONSIBILITY**

**Why Is It Important**

Social responsibility drives us to discover and satisfy the needs of our customers in ways that also provide for society's well-being. As an agent of change in the community, we have a role in ensuring the continuous development of our local Small to Medium-Sized Enterprises (SMEs). We must foster a responsive customer culture that emphasises our responsibilities towards the customer's welfare, as we establish an emotional connection between our users and our brand.

Acting in the best interests of our customers ensures we consistently meet their needs, building our reputation as a trusted and responsible organisation. This means protecting our customers' rights and delivering solutions that improve their lives. Failure to meet these high standards could result in damage to CTOS's corporate reputation and business performance. However, when done correctly, it can assist us in attracting and retaining a strong customer base, thereby contributing to our long-term growth and success.

**What is Our Approach**

We value our customers and strive to provide them with the best possible service. We begin by actively listening to their needs and expectations to ensure that our services align with their requirements. Our goal is to create a seamless and satisfactory experience for every customer, and we take their feedback seriously. We are committed to treating our customers fairly in all aspects of our business and providing them with regular updates and information. To monitor our performance, we conduct an annual Net Promoter Score (NPS) survey, which allows us to gather valuable feedback that we channel to our product team to continuously improve our offerings.

**Value Creation in 2022**

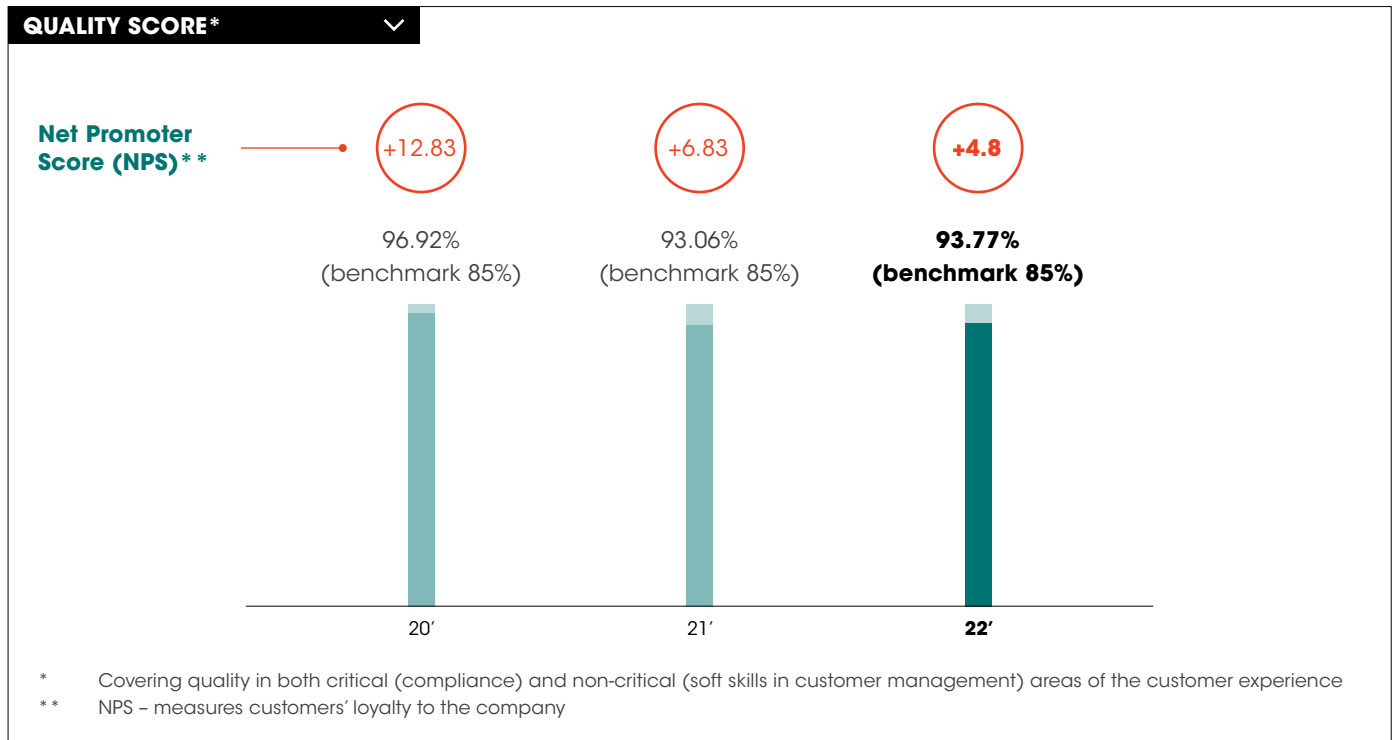
Throughout the year, we continued to empower our customers through regular engagements as well as integrate digital solutions into our customer journey. To support this, we employed different methods of customer engagement techniques to ensure we can truly support our customers with the products and services they need to excel in their business.

What We Did	How It Creates Value
Conducted checkpoint calls and offered face-to-face customer support across the six regions in which we operate.	It allows us to form closer and more personal bonds with our customers, and build genuine relationships with them.
Actively conducted both online and face-to-face credit manager training for all of our support staff for our Software as a Service (SaaS) online credit management platform that we offer to our SME customers.	Due to the breadth of the end-to-end services, our employees needed to be exposed to as many variables and situations to be able to provide the most professional, all-rounded service to our customers.
Continue multiskilling our agents to optimise cost and increase productivity.	Ensure customer enquiries through multi channels attended on timely manner.
Increased our efforts to enforce quality monitoring assessments for our customers.	These assessments ensure the accuracy and consistency delivered to customers.



## SUSTAINABILITY STATEMENT

As part of our continuous improvement process, we benchmark the quality of our customer service against industry best practices, in which we have significantly exceeded in 2022.



### M4 EMPLOYEE ENGAGEMENT

#### Why Is It Important

In the pursuit of achieving sustainability, we believe that having an engaged workforce is vital for continuous growth and success towards our stakeholders and business. Thus, fostering holistic engagements with our employees help to promote positive working relationships across all departments. In return, it improves our overall productivity and enable employers to focus on higher-value activities and business development. When employees are highly invested in their job, they work harder because they like what they do and believe in their value to the company.

Employees are truly the most trusted voice of our company. High employee engagements have evidently made our employees feel satisfied with their impact in CTOS. By focusing on our employee's wellbeing, we can create higher employee performance and satisfaction that directly increases long-term employee retention. Overall, employee engagement is one of the core business objectives which maintains our company's morale towards stakeholders.



At CTOS, we understand that empowering our employees is instrumental to serving our clients and local communities better. By investing in its employees' knowledge and skills, CTOS is not only improving its service delivery but also contributing to the overall financial literacy of local communities.

# SUSTAINABILITY STATEMENT

## What is Our Approach

It is important for us to build an engaged workforce and employee capabilities through a conducive and facilitative working environment. We focus on a sustainable yet optimal commitment of our employees to invest in an environment in which employees continuously develop their talents and use them in the most optimal manner. We position our people at the heart of our company while empowering and inspiring them to constantly hone their talents and broaden their knowledge and competencies.

A culture of continuous learning also promotes high employee engagement. That is why at CTOS, we have a comprehensive learning & development framework to ensure that all employees receive continuous, regular, and adequate training. Some examples of our learning and development work include refresher and onboarding training on company-wide policies, training in the areas of risk and technology development in order to build cybersecurity awareness, and also on-the-job competency training to cater to our employees' further development.

Additionally, we comply with relevant labour laws on working hours / overtime and ensure fair labour standards within the Group, and we strictly adhere to paying employees above national minimum wage. This is supported by an overtime policy that applies to all employees beyond standard hours (as defined in the Employment Act 1955). CTOS further promotes work-life balance by implementing work automation, process improvement and resource planning to reduce excessive working hours. We also respect the rights for non-executives, trade workers and/or general employees to participate or form trade unions provided for under the National Union of Commercial Workers (NUCW).

## Value Creation in 2022

### 1. Employee Well-Being

We invested in both approached by implementing various initiatives to elevate our employee culture and developing the knowledge and skills of our employees:

Focus Area	What We Did
<b>Collaboration</b>	<ul style="list-style-type: none"> <li>Established teambuilding activities and taskforces, including seasonal festive celebrations and staff engagement activities throughout the year through our "WE CARE" activities and our biannual dinners held once in two years.</li> </ul>
<b>Development</b>	<ul style="list-style-type: none"> <li>Created professional development programmes including trainings for our employees.</li> <li>Provided product training for all new employees, where they are taught about CTOS' suite of products and services. This training enables them to provide valuable insights to clients who may be unfamiliar with credit reporting and scoring services.</li> <li>Upskilled our employees through a compulsory training on how to read a credit report and sign up for CTOS self-check service. This self-check enables employees to experience first-hand what it is like to pull their own credit report, understand their own credit health status and help others too.</li> </ul>
<b>Health</b>	<ul style="list-style-type: none"> <li>Organised monthly engagement, medical screening and health activities.</li> </ul>
<b>Recognition of High Performance</b>	<ul style="list-style-type: none"> <li>Recognised high performance of our employees.</li> </ul>
<b>Management KPI</b>	<ul style="list-style-type: none"> <li>Set employee engagement as a KPI for management performance to ensure employees needs are integrated into decision-making.</li> </ul>

# SUSTAINABILITY STATEMENT

## 2. Providing Fulfilment at Work

CTOS provides flexible working arrangements and are supportive of our employees engaging with and/or volunteering in charitable organisations. We provide leave for charitable commitments on a case-by-case basis. At a company-level, we are cognizant of the need to engage with charitable partners and as part of our 3-year roadmap, we target to design and implement our own bespoke Employee Volunteerism CSR Program in 2023. We will also establish targets to monitor and measure our progress in engaging our employees in charitable activities.

	2021	2022
No. of non-compliances to labour standards	0	<b>0</b>
Employee attrition rate	3.3%	<b>3.2%</b>
Percentage of permanent employees	97.6%	<b>88%*</b>
Total training hours for employees	4,594	<b>16,733</b>
Average training hours per employee	9	<b>29</b>

\* Lower % of permanent employees due to more interns

## M5 DIVERSITY AND INCLUSION (D&I)

### Why Is It Important

At CTOS, we believe in creating a working environment free of discrimination, harassment, victimisation. This means every individual must be treated equally and with respect, irrespective of their age, gender, religion, backgrounds and cultural values. An inclusive culture embraces differences and enhances the connection between our employees. Diversity within our company creates an environment in which people can develop themselves which contributes to the quality of our services.

Providing a workplace that prioritises diversity and inclusion will enable us to continue to build an environment without any barriers to entry and career advancement, an environment that is purely based on equal opportunity and merit. While we need to provide a conducive working environment that practices equality and fosters an all-inclusive spirit among our employees, it is equally imperative for us to cultivate an inclusive and diverse talent pool that forms the foundation of any successful business. Therefore, with a diversified and inclusive workforce, we are able to create a more innovative, resilient and sustainable organisation.



### What is Our Approach

We are an equal opportunity employer, with a strict policy against any forms of discrimination based on race, ethnicity, religion, nationality, gender or disability. We do not discriminate when it comes to employment or pay. We believe we can encourage our employees to thrive and gain access towards unlocking and developing their full potential, by providing our employees with a fair and inclusive working environment. We take workplace bullying very seriously. Our employees also have access to a confidential reporting channel and a whistleblowing point of contact for harassment and hostility at the workplace. This is communicated and made readily available on our website for the accessibility of employees and other relevant stakeholders.

### Policies & Guidelines

Fit and Proper Policy

Code of Business Conduct and Ethics

Whistleblowing Policy

## SUSTAINABILITY STATEMENT

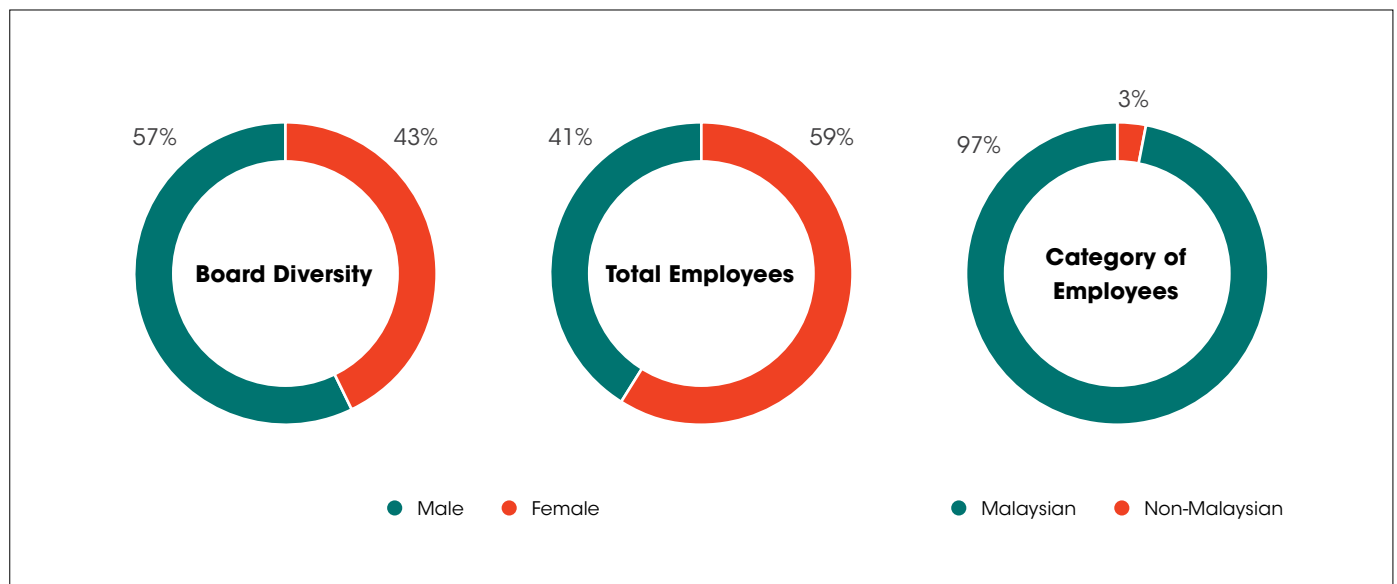
## Value Creation in 2022

Throughout the year, we implemented various programmes and initiatives designed to empower our employees, as well as create a nurturing and inclusive work environment.

<b>a. Designed flexible working arrangement:</b>	<b>b. Encouraged participation of all workers in company-wide activities:</b>	<b>c. Increased equal career progression opportunity for everyone:</b>
<p>We understand that our employees have diverse personal and professional responsibilities, and we strive to provide a flexible work environment that accommodates their needs. We offer various flexible working arrangements, such as telecommuting, flexible hours, and job sharing, to ensure that our employees can achieve work-life balance while delivering quality work.</p>	<p>We value the participation of all our employees in company-wide activities and events. We encourage everyone to share their ideas, opinions, and perspectives, and we ensure that all voices are heard and considered. We believe that diversity and inclusivity are essential to fostering innovation and creativity, and we celebrate our differences as a strength.</p>	<p>We believe in providing equal opportunities for career advancement to all our employees. We have established a merit-based system that rewards performance, skills, and experience, rather than gender, ethnicity, or any other factors. We provide training and mentoring programs to help our employees develop the skills and competencies needed for their desired career paths.</p>
<b>d. Offered equal training and development for everyone:</b>	<b>e. Established a "We Care" (Engagement and Health programme) for everyone:</b>	
<p>We understand that our employees have diverse personal and professional responsibilities, and we strive to provide a flexible work environment that accommodates their needs. We offer various flexible working arrangements, such as telecommuting, flexible hours, and job sharing, to ensure that our employees can achieve work-life balance while delivering quality work.</p>	<p>We value the participation of all our employees in company-wide activities and events. We encourage everyone to share their ideas, opinions, and perspectives, and we ensure that all voices are heard and considered. We believe that diversity and inclusivity are essential to fostering innovation and creativity, and we celebrate our differences as a strength.</p>	

## Diversity &amp; Inclusion Data

Throughout the year, we implemented various programmes and initiatives designed to empower our employees, as well as create a nurturing and inclusive work environment.





## SUSTAINABILITY STATEMENT

## ● EFFECTIVELY MANAGING COMPLIANCE AND RISKS

## M6 COMPLIANCE TO EVOLVING REGULATIONS AND STANDARDS

**Why Is It Important**

At CTOS, compliance with laws, regulations, and industry standards is of utmost importance. As a company, we are subject to a wide range of regulations in areas such as data privacy, corporate governance, employment, and taxes. Failure to comply with these regulations could result in legal and reputational consequences, leading to damage and fines. Furthermore, regulatory changes may lead to additional costs and a potential loss of expertise. Ensuring compliance is essential to protect our customers' data and our business in the long run.

**What is Our Approach**

We foster a culture that values compliance with laws and regulations. We regularly review our processes against changes in law and regulations to ensure compliance.

The Compliance Strategy within the Group is developed based on the Board setting the tone from the top of zero tolerance towards any business non-compliance with regulatory and statutory requirements. The Compliance Strategy focused on the following key areas:

- Systematic review of monitoring and evaluation of regulatory requirements.
- Adoption of a "Preventive rather than reactive" approach.
- Raising awareness through education and engagement.

By adhering to this approach, we ensure that we remain compliant and protect our customers, employees, and business.

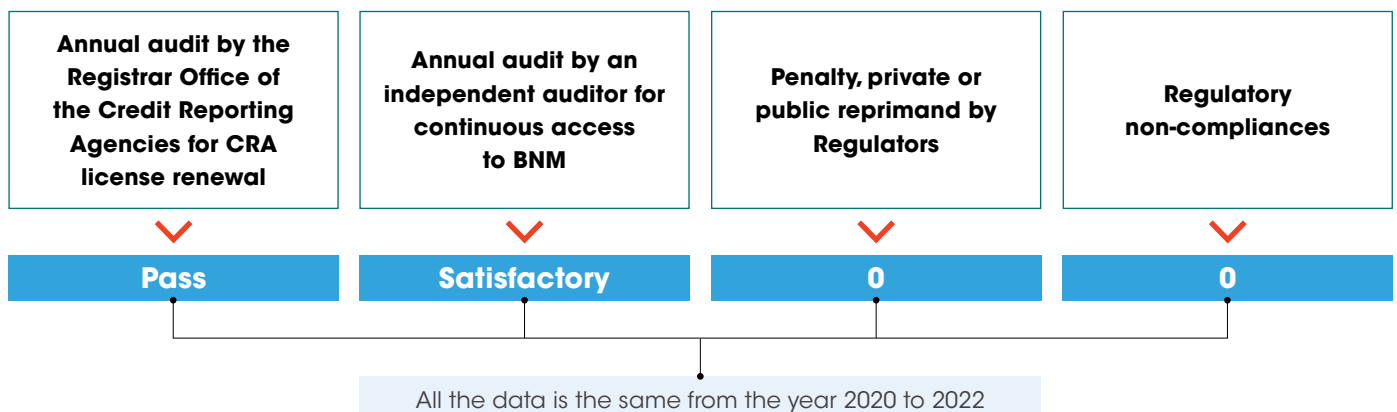
## SUSTAINABILITY STATEMENT

## Value Creation in 2022

In building a strong compliance culture within CTOS, we continued to implement various initiatives and programmes throughout the year:

Focus Areas	What We Did
<b>Education, engagement and awareness-raising initiatives</b>	<ul style="list-style-type: none"> <li>Educated and raised awareness among a total of 577 employees through various initiatives.</li> <li>Conducted mandatory employee training on the Credit Reporting Agencies Act, PDPA, ABAC, and cybersecurity, followed by an exam to ensure comprehension.</li> <li>Distribute quarterly Regulatory newsletters to external parties, including CTOS subscribers.</li> <li>Delivered a half-yearly risk assessment awareness newsletter to the Board of Directors, Senior Management, and employees.</li> <li>Provided periodic reminders during town hall meetings by the Group Chief Executive Officer on the company's zero tolerance towards ABAC, setting the tone from the top.</li> <li>Send periodic cybersecurity newsletters to promote cyber resilience and provide updates on new or amended regulations.</li> </ul>
<b>Review and update on new regulations and amendments to existing regulations</b>	<ul style="list-style-type: none"> <li>Conducted a gap and impact analysis on regulation changes, presenting the findings to the Board of Directors and Senior Management.</li> <li>Established a task force and committee to implement changes related to regulation amendments.</li> <li>Validated and tested internal processes and applications, tightened business processes to mitigate compliance risks.</li> </ul>
<b>Tighten business processes to mitigate compliance risk</b>	<ul style="list-style-type: none"> <li>Enhanced the necessary requirements regarding submission of documentation for credit check review.</li> <li>Implemented a risk-based approach to customer segmentation and raised awareness on security standards.</li> </ul>
<b>Raise information security standards</b>	<ul style="list-style-type: none"> <li>Commenced the ISO27001 implementation to establish robust information security management.</li> <li>Introduced new SOP to perform sophisticated security assessment such as compromise assessment, red teaming or breach and attack simulations on regular basis.</li> </ul>
<b>Regular engagement with Regulators</b>	<ul style="list-style-type: none"> <li>Clarify and align new digital processes during meetings to ensure continued compliance.</li> <li>Implemented initiatives to improve financial literacy for Malaysians.</li> <li>Implemented initiatives to grow the credit reporting industry in Malaysia.</li> </ul>

Through our strong compliance and regulatory culture, we have consistently reported zero non-compliances for the past three years, as well as passed our annual audits by the Ministry of Finance (MOF) and Bank Negara Malaysia.





# SUSTAINABILITY STATEMENT

## M7 BUSINESS ETHICS



### Why Is It Important

Ethics and integrity are fundamental to any business. Without a strong set of ethics, a business can run afoul of relevant laws and regulations, encounter financial pitfalls and moral dilemmas. Companies that practice questionable ethics may also experience a decrease in stock price and severed business partnerships, which can affect profitability. In addition, business ethics contribute to improved customer and stakeholder loyalty. It cultivates trust and builds our reputation as a responsible organisation, which strengthens branding and revenue and therefore improves overall improve profitability.

### What is Our Approach

Integrity is essential and one of the core values of CTOS. We encourage our employees to carry out their daily responsibilities above and beyond compliance with laws and regulations. Ethical behaviour will increase employee performance, job satisfaction, organisational commitment and trust from key stakeholders. We take our social responsibility as an employer and make sure all our employees work in a healthy and safe environment. Working ethically and ensuring high standards of integrity are key to business sustainability and resiliency.

We have currently established mechanisms such as CTOS' Whistleblowing Policy, Anti-Bribery and Corruption Policy, Code of Conduct and Human Resources' Open Door Policy, which are available to both internal and external stakeholders. These policies provide a formal mechanism for any grievances to be raised, including human rights, while guaranteeing confidentiality/anonymity. At onboarding training, all employees are required to study and acknowledge these policies, thus fostering a strong culture of integrity and ethics.

We are committed to work with affected parties when/where human rights have been impacted to remedy the impacts caused or contributed. Additionally, we apply principles of the Global Reporting Initiative (GRI), United Nations Global Compact (UNGC) and the United Nations Guiding Principles on Business and

Human Rights into our business operations. As practice, human rights policy training is covered under Code of Conduct during onboarding training, which is applicable to all staff.

In the future, we will explore aligning our human rights commitments to include reference to international human rights instruments, including those contained within the International Bill of Human Rights, such as but not limited to Convention on the Elimination of All Forms of Discrimination against Women, Convention on the Rights of the Child, Convention on the Rights of Persons with Disabilities etc.

We are in the midst of establishing oversight responsibility and resources to ensure respect for human rights. The Audit Risk Committee and Risk Management Committee currently have oversight responsibility of human rights issues. Day-to-day responsibilities lie with our Human Resources and respective Heads of Departments who oversee compliance with our Code of Business Conduct and Ethics.

Additionally, CTOS is strictly against and opposed to child labour. We ensure strict compliance within our operations with Children's Rights as per the Child Act and the Children and Young Persons (Employment) Act. As we aim to apply principles of the Global Reporting Initiative (GRI), United Nations Global Compact (UNGC) and the United Nations Guiding Principles on Business and Human Rights in the future, we will also explore opportunities to support children's rights in our operations or programmes.

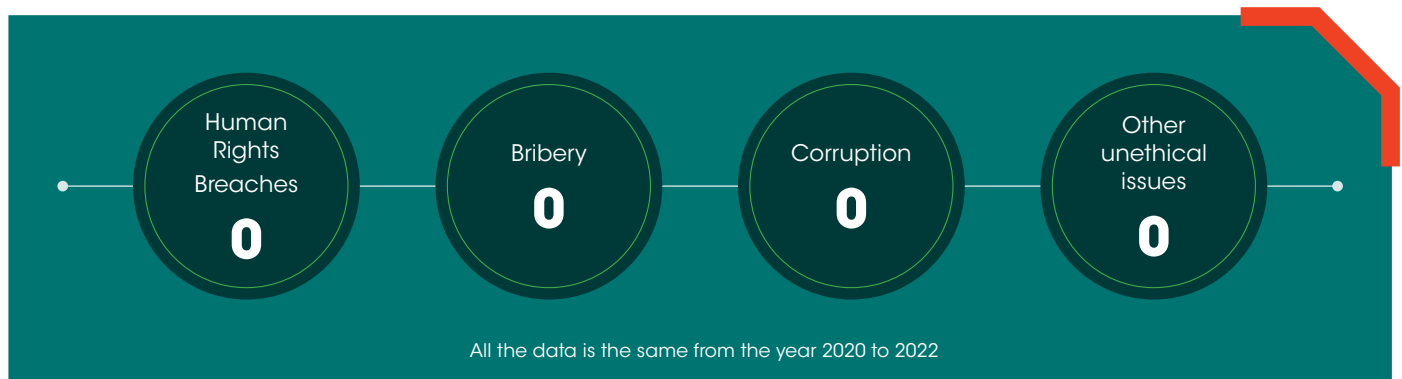
## SUSTAINABILITY STATEMENT

## Value Creation in 2022

Throughout the year, we continued to integrate good ethics into our business through by focusing on the key areas:

Focus Areas	Our Approach
<b>Anti-Corruption Practices</b>	Tightening ABC (Anti-Bribery and Corruption) P&P and framework and review of DOA.
<b>Whistleblowing</b>	Monitored misconduct via a whistleblowing channel (internal and external), with employees encouraged to report bribery and corruption concerns promptly.
<b>Awareness</b>	Implemented Anti-Corruption and Bribery awareness programmes and communications to employees and other stakeholders, which are performed on an annual basis. By doing so, we create more awareness on the reporting of bribery and corruption concerns.
<b>Risk monitoring</b>	Monitored corruption and bribery risks and reported it via ARC on a quarterly basis.
<b>Performance Management</b>	Reinforced behaviour expectations by setting clear links of integrity to their performance management.
<b>Due diligence of third parties</b>	Conducted due diligence on all third parties linked to our business operations and activities.

In the past three years, we consistently recorded zero cases of human rights breaches, bribery, corruption or unethical issues, with zero related fines and penalties. This reflects our team's commitment to upholding the highest standards of ethics and integrity.


**M8 FRAUD RISKS**

**Why Is It Important**

We are dedicated to establishing an ethical business culture that emphasises proper conduct and management of potential risks to our business. Our top priority is combatting fraud risks to safeguard our stakeholders. Effective fraud prevention not only reduces financial losses but also aligns with our company's values. By valuing fraud prevention highly, our stakeholders, including employees, are encouraged to embrace the same values.

We adhere to comprehensive regulations and standards and prioritise implementing an enterprise risk management framework to address potential risks. Any fraudulent activities, such as identity theft in the loan origination or credit application process, are strategically investigated at CTOS. Our risk management practices ensure that materiality issues related to compliance and risk management are well-reported and deliberated in our annual Audit & Risk Committee ("**ARC**") meetings. This reinforces our commitment to maintaining a culture of integrity and transparency at CTOS.

## SUSTAINABILITY STATEMENT

Additionally, we comply with the Federal Constitution and other relevant labour laws with regards to freedom of association. Although we do not restrict the right to freedom of association for its employees, employees shall not hold any position in a political party, in line with CTOS' Code of Business Conduct and Ethics and Whistleblowing Policy.

### What is Our Approach

To build an effective anti-fraud strategy, we carry out several measures to promote fraud risks prevention, detection and investigation.



As of 2022, our approach has been effective in detecting potential anomalous or fraudulent activities in our business.

## ESTABLISHING TRUST IN DATA

### M9 DATA PRIVACY & SECURITY



#### Why Is It Important

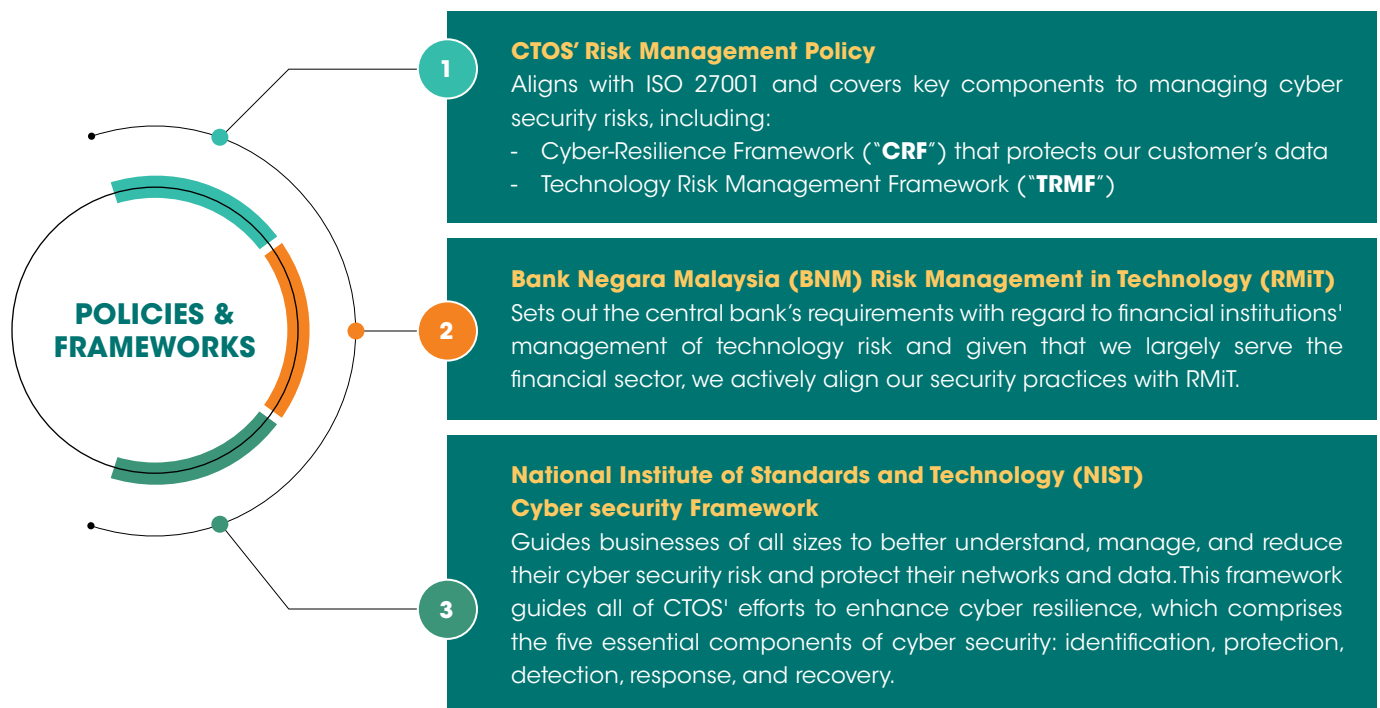
Given the nature of our business, any attack on our system can result in severe consequences. We possess critical information within our system that, if breached, may negatively impact our customers. This includes potential financial losses, identity thefts or leaking of sensitive information. Therefore, it is our corporate responsibility to safeguard the data entrusted to us by our customers and other stakeholders. Additionally, attacks on our systems may also disrupt our business. Because we operate in a digital environment, potential cyber security issues may halt our operations and activities until the problem is resolved. This can have a significant impact on our financial performance, as well as our ability to serve customers. Therefore, as Malaysia's leading credit reporting agency and a provider of data and digital services, safeguarding our customers data and privacy is fundamental to the sustainability of our business.

### What is Our Approach

At CTOS, we define privacy and security as the provision of complete and accurate disclosure of business activities, data handling, data use and other material matters to maintain trust and facilitate productive discussions between us and our stakeholders. Our cyber security posture, which is underpinned by people, processes, and technology, is aligned with industry best practises and regulatory requirements, and is designed to withstand cyber-attacks and enhance cyber resilience.

Our management team has devised a Three-Year Cyber Security Strategy that was rolled out in January 2023 that serves as a guiding principle to achieve the end-state. One of the key objectives under the Strategy is to become a ISO 27001 certified organisation by 2025. The strategy is governed by a variety of policies and frameworks, both internal and external to the organisation, such as:

## SUSTAINABILITY STATEMENT



In addition to the adoption of frameworks above, we have implemented sophisticated mitigation mechanisms, such as continuous vulnerability management, managed detection and response for endpoints, security operations centre, multi-factor authentication, data loss prevention and micro-segmentation of network. We have also implemented a comprehensive cyber security awareness programme that includes regular phishing simulations throughout the year for all employees. A robust governance process is also in place to help us identify risks in technology operations and project management, ensuring regular reviews by the Board of Directors and Senior Management.

### Value Creation in 2022

In 2022, our company put in place a number of sophisticated countermeasures to improve our cyber security. These included continuous vulnerability management, managed detection and response (MDR) for endpoints, a security operations centre (SOC), data loss prevention (DLP), and micro-segmentation of the network. Together, these measures made us much more resistant to cyber-attacks and better prepared to respond to them.

Implementation of countermeasure	Risk Mitigation
<b>Continuous vulnerability management</b>	Continuous vulnerability management let us keep an eye on our systems and applications and find any possible flaws. This let us quickly patch and fix any problems before attackers could take advantage of them. This proactive approach helped to monitor and manage the overall attack surface of our systems, making it harder for threat actors to get in.
<b>Managed detection and response (MDR) for endpoints</b>	MDR for endpoints helped make sure that any attempts to break into our systems were quickly found and dealt with. By keeping an eye on endpoint activity in real time, we were able to spot and stop any suspicious activity, making it less likely that a breach would be successful.
<b>Security operations centre (SOC)</b>	The SOC gave us a central place to watch for and respond to cyber events and potential incidents. This made it possible for us to handle any network alerts quickly and effectively.
<b>Data loss prevention (DLP)</b>	DLP helped us intercept and stop the unauthorised transfer of sensitive data from inside the company to outside world. This decreased the chance of data leakages and made sure that our customers' data was safe.
<b>Micro-segmentation of the network</b>	Lastly, micro-segmenting the network helped improve our security by breaking it up into smaller, more secure pieces. This made it harder for attackers to move laterally and helped us contain any possible security breaches to a smaller and limited radius.



## SUSTAINABILITY STATEMENT

Overall, these measures have made us much more resistant to cyber-attacks and better prepared to deal with them. By being proactive about cyber security, we have greatly reduced the chance that an attack will be successful and made sure that our systems, data, and customers will continue to be safe.

As a testament to our robust and resilient cyber security system, we continue to maintain a record of zero validated security breaches.



### M10 TRANSPARENCY AND TRUST



#### Why Is It Important

As Malaysia's leading credit reporting agency, our customer's trust is significantly important for us to manage their data effectively. It is our duty to provide credible data for our customers that will assist them to make better informed decisions. We recognise that our stakeholders need accurate information to make informed decisions about our strategies, outcomes, and effectiveness. This is why transparency is critical for our company. We are committed to being entirely transparent to all parties, as we understand that transparency helps build trust in our business operations. Our customers trust us to manage their data effectively, and we are committed to maintaining that trust.

We firmly believe that transparency and trust play a vital role in ensuring the sustainability of our business growth. By being transparent and demonstrating our integrity, we are able to foster long-term relationships with our stakeholders, which is essential for the continued success of our business. Therefore, we will continue prioritising transparency and honesty in all our operations to ensure we remain a trusted partner to all our stakeholders.

#### What is Our Approach

To ensure that we maintain the trust of our stakeholders, we have implemented a number of measures to promote transparency and protect our customers' data. First and foremost, we handle all customer data with the utmost confidentiality. We understand that our customers trust us to protect their personal information, and we take that responsibility very seriously. To mitigate the risks of data breaches, we protect personal data from unauthorised access and defend against attacks that aim to exploit our information.

We also provide sufficient and effective external communication through our official website, service offerings, and vendor agreements. By doing so, we can ensure that there is no room for miscommunication and that all parties share the same expectations.

## SUSTAINABILITY STATEMENT

KEY APPROACH	IMPACT
<b>Implement monitor trackers</b>	Ensure the completeness of our data
<b>Undertake Investor Relations activities domestically and overseas</b>	Assist investors to make a fair valuation and assessment of the company's prospects
<b>Perform periodic audit by specialised third party consultants and professionals</b>	Ensures business specific compliances such as financial and accounting, anti-bribery and anti-corruption
<b>Perform consistent reviews by internal and external auditors</b>	Ensure adequate risk management of internal controls activities

**Value Creation in 2022**

At CTOS, we take the security of our data and compliance with regulations seriously. With this in mind, we have implemented a number of key initiatives to ensure that we maintain the highest levels of security and compliance in all our operations. One of our top priorities has been enhancing the security of our data and protecting it against unauthorised access. To achieve this, we've implemented multifactor security measures to safeguard against any potential threats and protect the transfer of data to our subscribers.

We have also taken major steps to strengthen our existing policies for third party management. This includes reassessing our process for conducting risk-based assessments on all third-party organizations, with a keen eye for potential red flags such as past integrity issues, pre-existing or potential business relationships with CTOS, or affiliations with public officials. We also enhanced checks on the third-party organization's anti-bribery programme for higher risk transactions.

In addition, we implemented quarterly updates to our Audit and Risk Committee (ARC). These periodic updates provide our Board with a comprehensive overview of our compliance and risk management matters on a regular basis. We've also included sustainability matters as part of the quarterly update to the ARC to provide the Board greater oversight of our long-term sustainability initiatives and commitments.

As we move forward, we will continue to prioritize the security of our data and compliance with industry best practices to maintain our position as a trusted partner to our customers and stakeholders. At CTOS, we remain committed to maintaining the highest levels of compliance and risk management standards across all our operations.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

CTOS Digital Berhad ("**CTOS Digital**" or the "**Company**") and its subsidiaries (the "**Group**" or "**CTOS**") are committed to high standards of corporate governance ("**CG**") and believe good governance ethics are critical to enhance shareholders' value, business integrity and performance, and set as the fundamental to achieve the Group's mission, vision and corporate objectives.

The Board of Directors ("**Board**"), Management, and employees are constantly working to improve the Group's CG practices and processes and strive to uphold the CG principles.

The Board is pleased to present this CG Overview Statement for the financial year ended 31 December 2022 ("**FYE 2022**") in line with the Malaysian Code on Corporate Governance 2021 ("**MCCG 2021**") and Main Market Listing Requirements ("**MLLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") based on the following MCCG 2021 principles:-

		
<b>PRINCIPLE A</b>	<b>PRINCIPLE B</b>	<b>PRINCIPLE C</b>
Board Leadership and Effectiveness	Effective Audit & Risk Management	Integrity in Corporate Reporting & Meaningful Relationship with Stakeholders

The CG Overview Statement shall be read together with the CG Report 2022 ("**CG Report**"), available on the Company's website at [www.ctosdigital.com](http://www.ctosdigital.com). The comprehensive details of the Company's overall approach and specific practices pertaining to CG are disclosed in the CG Report detailing how the Company has applied each of the practices set out in the MCCG 2021.



## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS



### I BOARD RESPONSIBILITIES

#### (A) Board of Directors

The Board is primarily responsible for the effective governance and management of the Group and also serves as fiduciary responsibility for the Group's financial and organisational health. Ultimately, the Board is collectively responsible to ensure that sustainable value is delivered to its stakeholders. Each Director has a legal duty to act in the best interest of the Group and the Directors collectively and individually are aware of their responsibilities to the stakeholders for the manner in which the affairs of the Group are managed.



Details of which are set out in the Board Charter which is published on the Company's website at [www.ctosdigital.com/corporate-governance](http://www.ctosdigital.com/corporate-governance)

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

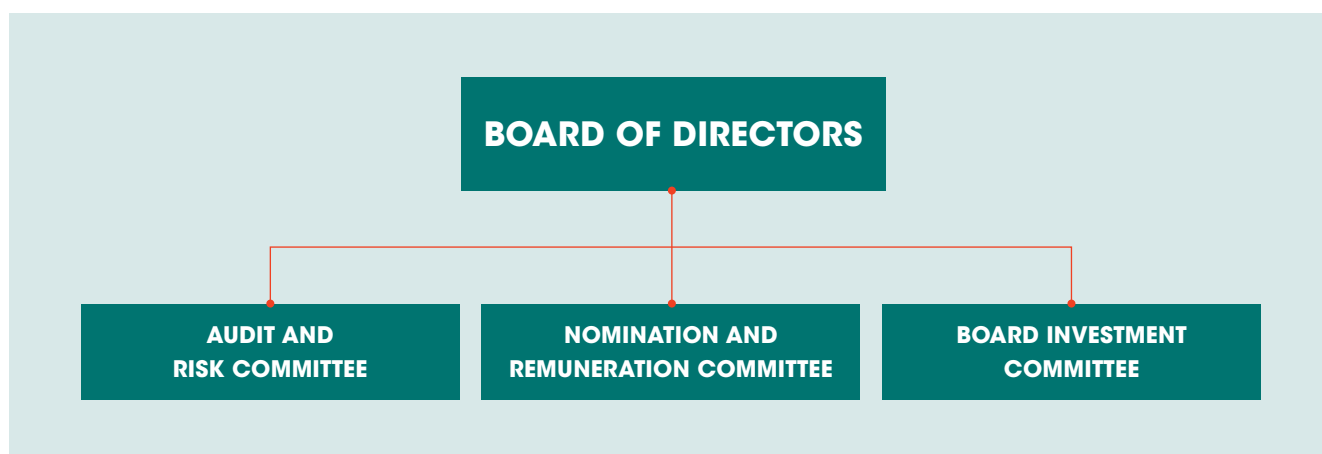


## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

In order to discharge of its stewardship role effectively, the Board has delegated its authority and specific duties and responsibilities to the following Board Committees to carry out the Board’s oversight functions, each of which is explained further in details under item E, Board Committees of this CG Overview Statement.



Please refer item E, Board Committees on page 67.



All the Board Committees are actively engaged and act as oversight committees. They contemplate and recommend matters under their purview for the Board to consider, approve and make the final decision. The Board also receives updates from the respective Chairman of the Board Committees on matters that have been discussed and deliberated at the respective meetings.

Essentially, the Board communicates its directions to Management through the Group Chief Executive Officer (“**GCEO**”), who oversees their implementation. Management is responsible for the day-to-day management of the Group pursuant to the powers delegated by the Board, subject to compliance with the applicable laws and regulations.

### (B) Chairman and the GCEO

In maintaining effective supervision and accountability of the Board and the management, the position of Chairman and Group Managing Director/Chief Executive Officer are held by different individuals, thereby ensuring balance of power and authority. The segregation of roles also facilitates a healthy open, exchange of views between the Board and Management in their deliberation of the business, strategic aims and key activities of the Company.

The Chairman of the Company is Tan Sri Izzuddin Bin Dali, an Independent Non-Executive Chairman who is primarily responsible for the stewardship and smooth functioning of the Board especially taking a leading role in establishing effective CG system and practices. The Chairman also leads the Board meetings by encouraging active participation and allowing dissenting views to be expressed freely to ensure that discussions and contributions from all Directors are forthcoming on matters being deliberated and that no Board member dominates the discussion.

The GCEO of the Company, Erick Hamburger Barraza is primarily responsible for the execution of business plans in line with the Board’s direction and drives the business and performance towards achieving the Group’s vision and goals as well as the day-to-day management of the Group, within the authorities as delegated by the Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## (C) Board Meeting and Access to Information and Advice

The Board is required to meet quarterly with additional meetings being convened as and when necessary to consider urgent proposals or matters that require that Board's consideration. To facilitate the Directors' time planning, an annual meeting calendar will be prepared and circulated before the beginning of each year.

The Board held thirteen (13) Board Meetings during the FYE 2022 and the attendance record is as follows:

Directors / Designation	Total Number of Board Meetings Attended during FYE 2022
<b>Tan Sri Izzuddin Bin Dali</b> (Independent Non-Executive Chairman)	9/13
<b>Dato' Noorazman Bin Abd Aziz</b> (Independent Non-Executive Director)	13/13
<b>Loh Kok Leong</b> (Non-Independent Non-Executive Director) (Alternate Director: Wong Pau Min)	9/13
<b>Erick Hamburger Barraza<sup>1</sup></b> (Executive Director/ GCEO)	3/3
<b>Lynette Yeow Su-Yin</b> (Independent Non-Executive Director)	11/13
<b>Nirmala A/P Doraisamy</b> (Independent Non-Executive Director)	13/13
<b>Su Puay Leng</b> (Independent Non-Executive Director)	12/13
<b>Datuk Azizan Bin Haji Abd Rahman<sup>2</sup></b> (Independent Non-Executive Director)	1/3
<b>Dennis Colin Martin<sup>3</sup></b> (Non-Independent Non-Executive Vice Chairman/GCEO)	6/10

<sup>1</sup> appointed as GCEO on 1 May 2022 and subsequently appointed as Director on 30 September 2022

<sup>2</sup> resigned with effect from 7 March 2022

<sup>3</sup> retired as GCEO on 30 April 2022, redesignated to Non-Independent Non-Executive Vice Chairman on 1 May 2023 and subsequently resigned as Director with effect from 30 September 2022

The Board recognises the importance of timely dissemination of Board and Board Committee papers as well as minutes of meetings to all Directors within a reasonable period prior to the Board and Board Committee meetings to enable them to receive the information in a timely manner and facilitate decision making by the Board and to deal with matters arising from such meetings. In ensuring the effective functioning of the Board, all Directors have individual and unrestricted access to the advice and support services of the Company Secretaries, Internal Auditors, External Auditors and Independent Advisers, if deemed necessary and may seek advice from the management on issues under their respective purview.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022



## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

### (D) Board Charter, Codes and Policies

The Board has the following in place:-

#### **Board Charter**

The Board Charter clearly set out the key values, principles and ethos of the Company, as policy delineates the roles of the Board (including matters reserved for the Board), the Chairman, the GCEO, the Independent Director, the Board Committees and individual Directors. It provides structure guidance and ethical standards for Directors and Management in discharging their duties towards the Company as well as the Board's operating practices. The Board will review the Board Charter annually and make any necessary amendments to ensure that they remain consistent and relevant with the Board's objectives, operating environment, current law and practices.

#### **Code of Business Conduct and Ethics ("Code")**

The Code sets out the minimum standards which require all employees to comply with areas and situations where public trust and confidence might be compromised, or a law might be violated. The Code serves as a guide for proper standards of business ethics and conduct for the Group and the same shall not derogate, replace, or restrict the matured judgement of the employees in conducting their daily activities.

#### **Whistleblowing Policy**

CTOS has established a Whistleblowing Policy and it embodies the Group's commitment to promote and maintain high standards of transparency, accountability, ethics and integrity at the workplace. This policy provides an avenue for employees and third parties (includes external agencies and any parties with a business relationship with the Group) to disclose cases of improper conduct which include criminal offences, fraud, corruption, non-compliance to laws and regulations, breach of Group's policies and the Code or other malpractices without the fear of reprisal.

#### **Anti-Bribery and Corruption Policy**

CTOS has an established Anti-Bribery and Corruption ("ABC") Policy which sets forth the Group's overall position against bribery and corruption in all its forms and the Group's objective in ensuring full compliance with all applicable anti-corruption regulatory requirements when conducting its business and operation. The ABC Policy further seeks to ensure that the Group adheres to the principles of good CG and emphasises on operating its business with transparency.

The Group has adopted a zero-tolerance approach against all forms of bribery and corruption. Employees who refuse to pay bribes or participate in acts of corruption will not be penalised even if such refusal may result in losing business.

This policy is applicable to the Group, business associates, resellers, agents and distributors acting on the Group's behalf, the Board of Directors and all the Group's personnel.

#### **Directors' Remuneration Policy**

This Policy serves as a guidance to set an appropriate level of remuneration that allows the Company to attract and retain talented and well-qualified Directors for the long-term business strategies of the Group.

#### **Directors' Qualification, Fit and Proper Policy**

During the FYE 2022, CTOS had adopted a Directors' Qualification, Fit and Proper Policy. It sets out the standards and the expectations on the suitability of both the candidate and the current Directors of CTOS. The Policy shall provide transparency on the selection for the Board composition in order to ensure that the Directors of CTOS have the character, integrity and competence required to perform the roles and responsibilities of a Director of a public listed company.

The Board believes that these documents define the Group's commitments towards issues relevant to good corporate governance and are periodically reviewed to ensure relevance and applicability.



They are all accessible on the Group's website at  
[www.ctosdigital.com/corporate-governance](http://www.ctosdigital.com/corporate-governance)

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## (E) Board Committees

The Board Committees are to examine specific issues within their respective approved terms of reference ("**TOR**") and report to the Board with their recommendations. However, the ultimate responsibility for decision making remains with the Board.



The TOR of the Board Committees are available for reference on the Group's website at [www.ctosdigital.com/corporate-governance](http://www.ctosdigital.com/corporate-governance)

### **The Audit & Risk Committee**

The Audit & Risk Committee ("**ARC**") assists the Board in carrying out its statutory and fiduciary responsibilities related to the monitoring and management of financial risk processes, as well as its accounting practices, system of internal controls, and the Group's management and financial reporting practices. To accomplish this, the ARC oversees the reports of external and internal auditors, uphold the integrity of financial reporting, and ensures a sound system of risk management and internal controls to protect and enhance the Company's value.



A full ARC report is set out on pages 82 to 86 of this Annual Report.

### **The Nomination & Remuneration Committee**

The Nomination & Remuneration Committee ("**NRC**") is responsible for overseeing the nomination and selection of Board members and GCEO, assessment framework for Senior Management, assessing and monitoring the Board's composition and effectiveness, undertaking development needs and succession planning initiatives, recommending and reviewing policies and the remuneration structure/ framework for the Board and the Senior Management.

The NRC comprises entirely Non-Executive Directors, majority of whom are independent. During FYE 2022, there were three (3) meetings held. The details of members of the NRC and the attendance record of meetings are as follows:

NRC Members	Designation	Total Number of NRC Meetings Attended/Held
<b>Lynette Yeow Su-Yin</b> (Independent Non-Executive Director)	Chairman	3/3
<b>Dato' Noorazman Bin Abd Aziz</b> (Independent Non-Executive Director)	Member	3/3
<b>Loh Kok Leong</b> (Non-Independent Non-Executive Director)	Member	3/3

The NRC is responsible in assisting the Board to ensure composition of the Board is refreshed periodically. Nomination to the Board takes into consideration that the Board has appropriate size and a balanced composition with a diverse mix of skills, knowledge, qualifications, experience, age, cultural background, and gender diversity in order to ensure its effectiveness in discharging its duties. The tenure of each director is reviewed by the NRC and annual re-election of a director is contingent upon satisfactory evaluation of the director's performance and contribution to the Board as well as the result of Fit and Proper Criteria Assessment.

The NRC had carried out the following activities in discharging its duties for FYE2022, inter alia:-

1. Reviewed the Board Composition of the Company.
2. Reviewed the Directors' Qualification, Fit and Proper Policy.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022



## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

3. Reviewed the Director's Service Contract for the Executive Director and Non-Independent Non-Executive Director and the Addendum to the Letter of Appointment for the Independent Non-Executive Directors.
4. Reviewed the 2022 Key Performance Indicators ("KPIs") for the C-Level executives.
5. Reviewed the trainings undertaken and the trainings recommended for Directors to attend.
6. Reviewed and recommended to the Board, the re-election and retirement by rotation of Directors at the 2022 Annual General Meeting ("AGM").
7. Conducted the annual assessment of the Board, the Board Committees and the individual Directors.
8. Reviewed terms of office of ARC and each ARC member.
9. Reviewed the independence of Independent Directors.
10. Reviewed the remuneration packages of the Executive Director, Non-Executive Directors and Senior Management of the Company.
11. Reviewed the nomination of Erick Hamburger Barraza as GCEO of the Company following the retirement of Dennis Colin Martin as GCEO for recommendation to the Board.
12. Reviewed the appointment of Dennis Colin Martin as Vice Chairman to the Board.
13. Reviewed the appointment of Erick Hamburger Barraza as Executive Director including the assessment under the Directors' Qualification, Fit and Proper Policy.
14. Reviewed the FYE 2022 performance bonus and 2023 salary increase for GCEO, C-Level executives and overall FYE2022 bonus pay-outs.
15. Reviewed the appointment of additional company secretary.

In addition to the nomination matters, the NRC is also responsible for providing oversight on the remuneration matters of the Company. A more detailed description on the remuneration matters is provided in the Remuneration Section of this CG Overview Statement.

### **The Board Investment Committee**

The Board Investment Committee ("BIC") is responsible to review and make recommendations on all matters in respect of acquisitions and divestments of any business/investment including short term investments, within Malaysia or overseas, subject to the relevant threshold as required under the MMLR of Bursa Securities.

The BIC comprises entirely of Non-Executive Directors who are majority independent. During the year under review, there were four (4) meetings held. The details of each BIC's members and their respective attendance record of meetings are as follows:

BIC Members	Designation	Total Number of BIC Meetings Attended/Held
<b>Dato' Noorazman Bin Abd Aziz</b> (Independent Non-Executive Director)	Chairman	4/4
<b>Su Puay Leng</b> (Independent Non-Executive Director)	Member	4/4
<b>Loh Kok Leong</b> (Non-Independent Non-Executive Director)	Member	3/4

During FYE 2022, the BIC had undertaken the following activities in discharging its duties:-

1. Reviewed few acquisitions of stakes in RAM Holdings Berhad ("RAM") from various shareholders of RAM; and
2. Reviewed the opportunity to acquire origination & decisioning portfolio of contracts in Malaysia.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## **Company Secretaries**

The Board is supported by competent and qualified Company Secretaries who play a vital role in advising the Board in relation to the Company's Constitution, the Board policies and procedures and the applicable laws and regulations are complied with. The Company Secretary also assists the Board of Directors in its leadership role, fiduciary duties, and governance stewardship. All Directors have unrestricted access to the advice and services of the Company Secretary for the purpose of the conduct of the Board's affairs and the business.

During the FYE 2022, Ms Sia Ee Chin resigned as Company Secretary and Ms Saw Hui Ying has been appointed in place thereof. Ms. Joanne Toh Joo Ann and Ms. Saw Hui Ying are Company Secretaries of CTOS Digital. They further serve as the Company Secretary of CTOS Digitals' subsidiaries.

The Company Secretaries ensures that the discussions and deliberations at Board and Board sub-committee meetings are well documented, and subsequently communicated to the Management for appropriate actions, as well as updating the Board on the follow-up of its decisions and recommendations.

During FYE 2022, the Company Secretaries had undertaken various activities in discharging their duties, details of which are outlined in the CG Report.

## **Sustainability**

The Board together with Management are responsible for the governance of sustainability in the Group including setting the Group's sustainability strategies, priorities and targets. The Board provides guidance and has an oversight role for the Group's sustainability matters including among others the development and implementation of the sustainability strategies, business plans, major plans of action and risk management.



*The Company's efforts in this regard have been set out in the Sustainability Statement on pages 31 to 61 of this Annual Report.*

## **II BOARD COMPOSITION**

### **(A) Board Composition and Boardroom Diversity**

The Board recognises that a truly diverse and inclusive Board will leverage the differences of its members, to achieve effective stewardship and in turn, retains its competitive advantage. In this respect, the Board through its NRC conducts an annual review of its size and composition, to determine if the Board has the right size and sufficient diversity with independence elements that fit the Company's objectives and strategic goals.

As at 31 December 2022, the Board consists of eight (8) members, comprising of five (5) Independent Non-Executive Directors (including one (1) Independent Non-Executive Chairman), one (1) Executive Director, one (1) Non-Independent Non-Executive Director and one (1) Alternate Director (to Non-Independent Non-Executive Director).



*A brief profile of each Director is presented in pages 20 to 27 of this Annual Report.*

CTOS Digital believes that having a diverse Board provides a compelling competitive advantage. The Directors collectively bring with them diverse knowledge, skill, extensive experience and expertise in areas such as corporate strategy, economics, banking & finance, investments, risk management, corporate legal, mergers and acquisitions and securities regulations. These enable them to discharge their duties and responsibilities effectively and objectively on the Company's strategies, compliance and business operations. By combining contributions of a group of people with different skills, backgrounds, and experiences they are able to approach problems from a greater range of perspectives, to raise challenging questions and to debate more vigorously. Multiple-perspective analysis of problems can change the boardroom dynamics and is more likely to be of higher quality than decisions made under a 'groupthink' environment.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022



## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

CTOS Digital also respect the cultural diversity in the Company in terms of ethnicity, race, religion and beliefs. Multiculturalism provides a variety of viewpoints along with wide-ranging personal and professional experience which offer new perspectives for looking at a business issue. It gives rise to out-of-the-box thinking for solving problems and making sound business decisions. The Company embraces the differences and appreciates an individual's contribution from different backgrounds for creating an inclusive environment where everyone feels valued and respected. These divergences bring unique perspectives and insights for better risk management and allow for difference in opinion and perspectives and all thoughts to be deliberated to enable the Board for making an informed decisions which enhance shareholders' value and build stronger stakeholder engagement.

The Board also acknowledges the need to promote gender diversity within its composition and endeavour to increase female participation in the Board and Senior Management. Currently, there are three (3) women serving

as members of the Board, representing 42.9% of female representation on the Board.

In addition, diversity at Senior Management will provide constructive debates, which lead to better decisions and enabling discussion in an ever-changing environment. The Board also values the diversity of perspectives and experience at Senior Management level for better decision making and competitive advantage. As at 31 December 2022, 50% of the Senior Management positions of the Company are held by women.

The criteria, processes, and requirements in terms of nomination, assessment, and re-election of Board members are outlined in the Company's NRC's TOR and Directors' Selection Policy. In addition, the Board Charter of the Company outlines the approach to diversity for the Board, including gender, age, and ethnic diversity.



Read about our diversity policy for board members in our Board Charter at [www.ctosdigital.com/corporate-governance](http://www.ctosdigital.com/corporate-governance)

### (B) Board Independence

Under CTOS Digital's current Board composition, there are 7 Directors (excludes alternate director), out of which 5 Directors are Independent Non-Executive Director, including the Chairman of the Company. The present Board composition complies with Paragraph 15.02 of the MMLR which requires at least two (2) or one-third (1/3) of the Board of the Company, whichever is higher, are Independent Directors.

The Board recognises the importance of significant representation by Directors who are capable and willing to make decisions in the best interest of shareholders, free from any conflict of interest, and are also independent of Management. The Board is satisfied that the current number of Independent Non-Executive Directors provides a fair check and balance in terms of bringing independence of judgement and ensuring the Board's decisions are made objectively in the best interest of the Company.

In line with the MCCG 2021 and the Board Charter, the tenure of an Independent Non-Executive Director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as Non-Independent Director. If the Board intends to retain an Independent Non-Executive Director who has served a cumulative term of nine (9) years in the Company, the Board must provide a strong justification and obtain the approval of the shareholders. As at the date of this CG Overview Statement, none of the Independent Non-Executive Director has reached nine (9) years of service since their appointment. The tenure of the respective Independent Non-Executive Director as at 31 December 2022 are as follows:

Name of Directors	Tenure
Tan Sri Izzuddin Bin Dali	8 years, 4 months
Dato' Noorazman Bin Abd Aziz	2 years, 10 months
Lynette Yeow Su-Yin	2 years, 3 months
Nirmala A/P Doraisamy	1 year, 9 months
Su Puay Leng	1 year, 7 months
Datuk Azizan bin Haji Abdul Rahman	Resigned with effect from 7 March 2022

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## (C) Appointment and Re-appointment of Directors

Appointment of Board and Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. Directors appointed should be able to devote sufficient time to serve the Board effectively. The Board should consider the existing Board positions held by a director, including on Boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the Company should be avoided.

In identifying candidates for appointment of directors, the Board does not solely rely on recommendations from existing directors, management or major shareholders. The Board utilises independent sources to identify suitably qualified candidates.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the NRC will explain why these source(s) suffice and other sources were not used.

Under the NRC's TOR, the NRC may utilise independent sources and a variety of approaches to identify suitably qualified candidates. The NRC would disclose the source, including whether such candidates were recommended by the existing Directors, Members of Senior Management or major shareholders.

In addition, the Board had established Directors' Selection Policy to capture the selection process for the appointment of Directors. Under the Policy, the NRC shall proactively exchange views with Board Members to study and identify the needs of the Company for new Directors and would request nominations from the Board, as well as actively seek suggestions for possible nominees from other sources. The NRC may consider using executive search firms to assist with finding candidates with the required skills and background.

Under the Constitution of the Company, a one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three, then the number nearest to one-third (1/3), shall retire from office at the conclusion of the AGM in every year provided always that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election. The Directors to retire in every year shall be the Directors who have been longest in office since the Directors' last election, but as between persons who became Directors on the same day, the Directors to retire shall be determined by lot, unless they otherwise agreed among themselves.

Upon the recommendation of the NRC based on the satisfactory assessment result on the qualification, fitness and propriety of Directors, the Board has confirmed that the following Directors who are retiring and standing for re-election at the 2023 AGM are able to continue to perform effectively and demonstrate commitment:-

Name of Directors	Designation
Lynette Yeow Su-Yin - Clause 76(3) of the Constitution of the Company	Independent Non-Executive Director
Erick Hamburger Barraza - Clause 78 of the Constitution of the Company	Executive Director / GCEO



*Profiles of the Directors standing for re-election are set out in Pages 20 to 27 of this Annual Report.*

Tan Sri Izzuddin Bin Dali who retires by rotation pursuant to Clause 76(3) of the Constitution of the Company, has expressed his intention not to seek for re-election and hence, he will retain his office until the conclusion of the 2023 AGM.

The Board ensures shareholders have the information they require to make an informed decision on the appointment and re-election of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the listed company as a whole.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022



## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

### (D) Annual Evaluation

The Board has adopted a formal and objective annual evaluation of the Board, Board Committees and Directors' performance as established under the Directors' Performance Assessment Framework. The Directors' Performance Assessment Framework developed with the assistance of the NRC, serves as a guidance, inter alia on the following:-

1. The assessment on the Board's leadership and effectiveness;
2. The annual assessment of Directors performance in discharging their responsibilities for the governance of Company's sustainability including setting the Company's sustainability strategies, priorities and targets; and
3. The assessment on the necessary quality, integrity, credibility, and competencies of the Directors that contribute to the development and growth of the Company.

The evaluation process was based on self/peer assessments whereby the Directors assessed themselves and also the Board as a whole as well as the performance of each Board Committees. The criteria and outcome of the assessment were properly documented. The evaluation process is led by the Chairman of the NRC, assisted by the Company Secretary. Each Director conducts the evaluation based on an online questionnaire in a confidential manner.

Based on the recent assessment, the NRC was satisfied that the Board size and its composition are optimum as the Board comprises individuals with the requisite skills, knowledge, experience, characteristics and competencies to effectively discharge their roles. The Directors, the Board and the Board Committees had discharged their responsibilities in a commendable manner and contributed to the overall effectiveness of the Board and the Company. The Directors had committed the time necessary to responsibly fulfil their commitment to the Company during the year. In addition, all the Directors had completed the Director's Qualification Declaration as well as the Director Fit and Proper Criteria Declaration in accordance with the Directors' Qualification, Fit and Proper Policy. According to the declarations received, all the Directors met the fit and proper criteria.

The NRC and the Board had also undertaken an annual assessment on the independence of Independent Directors based on the criteria set out in the MMLR of Bursa Securities. The Board is satisfied with the independence assessment as the current Independent Directors of the Company have fulfilled the criteria for "independence" as prescribed under the MMLR of Bursa Securities.

### (E) Directors' Training

The Board recognises the importance of continuous training for Directors and encourages all Directors to attend workshops, programmes, courses and seminars to stay abreast on relevant business development and industry outlook as well as changes to statutory requirements and regulatory guidelines.

The Directors are required to evaluate their own training needs on a continuous basis with the overriding objective of staying abreast of regulatory requirements and ongoing business developments. The Board is committed to stay abreast of training programmes and workshops conducted by Bursa Securities and other training providers, while receiving updates of new statutory and regulatory requirements from time to time.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The training programmes and seminars attended by the Directors during the FYE 2022 are as follows:-

## 1. Dato' Noorazman Bin Abd Aziz

No	Course Title
1.	Positioning Corporate Malaysia for a Sustainable Future - PricewaterhouseCoopers (PwC Malaysia)
2.	An Invitation to a Talk by Rajeev Peshawaria on Steward Leadership for Sustainability - Asia School of Business (ASB)
3.	Briefing for UEM Sunrise's Board, Top Management & Nominee Directors on the Latest Developments of Section 17A of the MACC Act 2009 - UEM Sunrise Berhad
4.	Overseeing the economic, environmental, social and governance perspectives of a listed issuer's business - Kumpulan Perangsang Selangor Berhad (KPS)
5.	Legal Talk on Fiduciary Duties of Board and Investment Panel - Kumpulan Wang Persaraan (KWAP)
6.	FIDE Forum Leadership Perspectives for Effectiveness in conjunction with BEE Launch - ASB
7.	Invest Shariah Conference 2022 - Transforming Malaysia's economy and society through Islamic Finance - Bursa Malaysia
8.	[Thought hUb] Merdeka Edition - Unlocking the Potential of History and Cultural Heritage in the Revitalisation of Neighbourhoods - UEM Sunrise Berhad
9.	Board Sustainability Awareness Session - UEM Edgenta Berhad
10.	International Directors Summit 2022 - Institute of Corporate Directors Malaysia (ICDM)
11.	Khazanah Megatrends Forum 2022 - Khazanah Nasional Berhad
12.	Pre-Board Convergence 2022: Commitment with Purpose: Strengthening Resilience with Technology and Sustainability - UEM Edgenta Berhad
13.	Invitation to Private Equity Forum - Navigating Venture Capital and Technology Investments in Malaysia - KWAP
14.	KPMG Board Leadership Center Exclusive: Understanding the requirements in Bursa Malaysia's enhanced sustainability reporting framework - KPMG
15.	Evening Talk on "Inflation, Looming Recession & Climate Change: A Tricky Balancing Act?" - ASB
16.	Training on MFRS 17 Insurance Contracts: Understanding its impact & complications - Sun Life Malaysia Assurance Berhad
17.	Environmental Social Governance (ESG) Disclosures: Improving the Quality of ESG Data and its impact - KWAP
18.	Sustainability Training - UEM Sunrise Berhad
19.	Board Leadership and Effectiveness and Enhanced Sustainability Reporting Framework - KPS
20.	2022 UEM Sunrise Integrity Day - UEM Sunrise Berhad



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022



## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

### 2. Lynette Yeow Su-Yin

No	Course Title
1.	Empowering and Rewarding the Boardroom Brigade - A Board Remuneration Masterclass - KPMG
2.	Anti-Corruption, AMLACFT and Corporate Governance Training - Malaysia Building Society Berhad (MBSB)
3.	Training on Information & Cybersecurity and Branding & Communication - MBSB
4.	MBSB Shariah Advisory Council Training - MBSB
5.	"Conversations on Climate Governance" and "Climate Change and the Banking Sector - How will it affect my company?" - ASEAN Climate Governance Network
6.	CTOS ESG 101 Training - PwC Malaysia
7.	CTOS Corporate Liability: Anti-Bribery & Corruption - Tricor Hive Sdn Bhd
8.	Directors' Duties and Climate Change - The Malaysian Bar and Climate Governance Malaysia
9.	Conversations with Chairmen: A standing item in board agendas - FIDE Forum, Climate Governance Malaysia
10.	Board Effectiveness Evaluation - FIDE Forum

### 3. Nirmala A/P Doraisamy

No	Course Title
1.	Ethics, Integrity & Trust Conference - Malaysian Institute of Accountants (MIA)
2.	ESG Oversight for Boards - MIA
3.	FCD Series Module E: Digital Awareness and Upskilling for Board - Institute Of Corporate Directors Malaysia (ICDM)
4.	Petronas Board Conversation Series: A Session With Peter Bakker, Chief Executive Officer (CEO) Of World Business Council For Sustainable Development (WBCSD) - Petronas
5.	Sustainability And Its Impact on Organisations: What Directors Need To Know - Asia School Of Business (ASB)
6.	Petronas Board Conversation Series 02/22: A Session with The United Nations Environment Programme World Conservation Monitoring Centre (UNEP - WCMC) Experts - Petronas
7.	Embracing A Cashless Transformation - WIFE & WBN
8.	Ethical Finance Asean 2022 - GEFI
9.	The Audit Committee: Unpacking The Roles Of The Committee & Honing Its Effectiveness Discharging Its Responsibilities Holistically - Malaysian Institute Of Corporate Governance
10.	RMIT - Sharing of Insights & Discussion on The Strategic Aspects of it Risk - ASB
11.	Building A Formidable Tax Governance Framework - ICDM

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No	Course Title
13.	CTOS ESG 101 Training - PwC Malaysia
14.	Petronas Board Conversation Series: A Session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP - Petronas
15.	MIA Conference - MIA
16.	Advocacy Session for Directors & Senior Management of Main Market Listed Issuers - Bursa Malaysia Bhd
17.	International Directors Summit - ICDM
18.	Audit Oversight Board Conversation with Audit Committees – Securities Commission Malaysia (SC) Audit Oversight Board (AOB)
19.	Sustainability Training: 1) Development & Imperatives In ESG And Climate For PDB 2) Reinforcing The Case For Sustainability - PDB

#### 4. **Su Puay Leng**

No	Course Title
1.	Audit Oversight Board Conversation with Audit Committees – Securities Commission Malaysia (SC) Audit Oversight Board (AOB)
2.	CTOS ESG 101 Training - PwC Malaysia

#### 5. **Loh Kok Leong**

No	Course Title
1.	CTOS Corporate Liability : Anti-Bribery & Corruption - Tricor Hive Sdn Bhd
2.	CTOS ESG 101 Training - PwC Malaysia

#### 6. **Erick Hamburger Barraza**

No	Course Title
1.	CTOS Corporate Liability: Anti-Bribery & Corruption - Tricor Hive Sdn Bhd
2.	CTOS ESG 101 Training - PwC Malaysia
3.	Mandatory Accreditation Programme – Institute of Corporate Directors Malaysia

#### 7. **Wong Pau Min (Alternate to Loh Kok Leong)**

No	Course Title
1.	CTOS Corporate Liability: Anti-Bribery & Corruption - Tricor Hive Sdn Bhd
2.	CTOS ESG 101 Training - PwC Malaysia

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

### III REMUNERATION

#### (A) Remuneration Policies and Procedures

As the Company prospers, the Board believes in an appropriate level of remuneration by aligning remuneration and performance with the key strategic drivers of long-term growth. The remuneration has been designed to align with industry practices, taking into account the appropriate calibre of each Director whilst upholding of shareholders' interests and also aim to attract, retain, and motivate capable directors to successfully manage the Group.

The NRC is responsible for reviewing and recommending the remuneration package for the Executive Directors, GCEO and Senior Management to the Board; whilst the Board has overall responsibility to determine the remuneration of respective Directors with the approval from shareholders at the AGM. For Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken. Each Non-Executive Director receives a base fixed fee.

The Board has remuneration policies and procedures to determine the remuneration of Directors, and Senior Management, taking into account the skills and experience required as well as the demands, complexities and performance of the Group. The Group has established the following policies:

1. Directors' Remuneration Policy; and
2. Senior Management Remuneration and Assessment Framework.

These policies and practices are periodically reviewed by the NRC and its continued relevance periodically including salaries, benefits-in-kind, other emoluments and annual performance bonus in detail, ensuring the remuneration is attractive to motivate and retain them in the Group. Any revisions to the framework as recommended by the NRC will be tabled to the Board for consideration and approval.



The Directors' Remuneration Policy is available on the CTOS Digital's website.

#### (B) Remuneration of Directors

The remuneration package for Non-Executive Director reflects the individual's merits, valuable contribution, and level of responsibilities. The fees payable to Non-Executive Directors are set by the Board, with individual Director(s) abstaining from discussion of their own remuneration package. The details of the aggregate remuneration of Directors on the named basis for the FYE 2022 (Company and Group basis) are disclosed as below:

##### The Company

Name	Fees	Allowance	Salaries	Bonus	Other emoluments	Total (RM)
<b>Tan Sri Izzuddin Bin Dali</b>	103,129	0	0	0	0	103,129
<b>Dato' Noorazman Bin Abd Aziz</b>	79,129	6,000	0	0	0	85,129
<b>Lynette Yeow Su-Yin</b>	85,129	0	0	0	0	85,129
<b>Nirmala A/P Doraisamy</b>	88,935	0	0	0	0	88,935
<b>Su Puay Leng</b>	79,329	4,800	0	0	0	84,129
<b>Loh Kok Leong</b>	0	0	0	0	0	0
<b>Erick Hamburger Barraza</b> (appointed w.e.f. 30 September 2022)	0	0	0	0	0	0
<b>Wong Pau Min</b>	0	0	0	0	0	0
<b>Datuk Azizan Haji Abd Rahman</b> (resigned w.e.f. 7 March 2022)	15,581	0	0	0	0	15,581
<b>Dennis Colin Martin</b> (resigned w.e.f. 30 September 2022)	0	0	0	196,700	0	196,700

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## The Group

Name	Fees	Allowance	Salaries	Bonus	Other emoluments	Total (RM)
<b>Tan Sri Izzuddin Bin Dali</b>	103,129	0	0	0	0	103,129
<b>Dato' Noorazman Bin Abd Aziz</b>	79,129	6,000	0	0	0	85,129
<b>Lynette Yeow Su-Yin</b>	85,129	0	0	0	0	85,129
<b>Nirmala A/P Doraisamy</b>	88,935	0	0	0	0	88,935
<b>Su Puay Leng</b>	79,329	4,800	0	0	0	84,129
<b>Loh Kok Leong</b>	0	0	0	0	0	0
<b>Erick Hamburger Barraza</b> (appointed w.e.f. 30 September 2022)	0	7,500	450,000	0	0	457,500
<b>Wong Pau Min</b> (alternate Director to Loh Kok Leong)	0	0	0	0	0	0
<b>Datuk Azizan Haji Abd Rahman</b> (resigned w.e.f. 7 March 2022)	15,581	0	0	0	0	15,581
<b>Dennis Colin Martin</b> (resigned w.e.f. 30 September 2022)	0	0	0	196,700	0	196,700

## (C) Remuneration of Group's Senior Management

The Group's remuneration policy takes into account the various levels of Senior Management based on job grade structure, roles and responsibilities and levels of accountability. This ensure that remuneration packages are fair. For Senior Management of the Company, all bonuses are determined by the Board on the recommendation of the NRC after reviewing the individual performance appraisals and achievements. The details of the total remuneration of top five Senior Management of the Company for the FYE 2022 (*in the bands of RM50,000*) are disclosed as below:

Name / Position	Salaries	Allowance	Bonus	Benefits	Other emoluments	Total (RM)
<b>Erick Hamburger Barraza</b> (GCEO - appointed w.e.f. 1 May 2022)	1,900,000 - 1,950,000	0 - 50,000	0	0	0	1,900,000 - 2,000,000
<b>Chen Thai Foong</b> (Group Chief Financial Officer) (retired w.e.f. 16 January 2023)	600,001 - 650,000	0 - 50,000	100,001 - 150,000	0	0	700,001 - 750,000
<b>James Fancourt Mitchell</b> (Group Chief Technology Officer)	450,001 - 500,000	0 - 50,000	0	0	0	450,001 - 500,000
<b>Chin Kuan Weng</b> (CEO of CTOS Data Systems Sdn Bhd)	550,001 - 600,000	0 - 50,000	50,001 - 100,000	0	0	650,001 - 700,000
<b>Tracy Gan Jo Lin</b> (Chief Operating Officer of CTOS Data Systems Sdn Bhd)	600,001 - 650,000	0 - 50,000	50,001 - 100,000	0	0	700,001 - 750,000

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022



## PRINCIPLE B – EFFECTIVE AUDIT & RISK MANAGEMENT

### I AUDIT AND RISK COMMITTEE

#### (A) ARC's Composition

The Board has delegated its authority to the ARC to carry out the Board's oversight functions on audit, risk and compliance matters as outlined under its TOR. The ARC assists the Board in carrying out its oversight responsibilities by reviewing financial information, risk management, control systems and matters that may significantly impact the financial condition or affairs of the business and providing an unbiased review of the effectiveness and efficiency of the Group's internal controls.

The Chairman of ARC is not the Chairman of the Board ensuring that the impartiality and objectivity of the Board's review on the ARC's findings and recommendations remain intact. The ARC consists of three (3) members, all of which are Independent Directors with extensive experience in finance, legal, banking and consulting industry contributing to business strategy and CG.



*The composition of the ARC, including its number of meetings and attendance of ARC, summary of ARC activities and Internal Auditors' function during the financial year under review are set out on pages 82 to 86 under ARC Report of this Annual Report.*

The composition of the ARC

Name of Directors	Designation
Nirmala A/P Doraisamy <sup>1</sup>	Chairman, Independent Non-Executive Director
Dato' Noorazman Bin Abd Aziz	Member, Independent Non-Executive Director
Su Puay Leng <sup>2</sup>	Member, Independent Non-Executive Director
Datuk Azizan Bin Haji Abd Rahman <sup>3</sup>	Chairman, Independent Non-Executive Director

<sup>1</sup> Redesignated as the Committee Chairman with effect from 7 March 2022

<sup>2</sup> Appointed as the Committee Member with effect from 7 March 2022

<sup>3</sup> Resigned as the Committee Chairman with effect from 7 March 2022

All ARC members are financially literate and have sufficient understanding of the Group's business. This enables them to continuously apply a critical and probing view on the Group's financial reporting process, transactions and other financial information, and effectively challenge management's assertions on the Company's financials.

The ARC also recognises the importance of upholding independence of its external auditors and that no possible conflict of interest whatsoever should arise. The TOR of the ARC stated that no former key audit partner shall be appointed as a member of the ARC before observing a cooling-off period of at least three (3) years in line with the practice of 9.2 of MCCG 2021. Presently, none of the ARC members is a former key audit partner involved in auditing the Group.

#### (B) External Auditors

The Board maintains a good professional relationship with the external auditors through the ARC in discussing their audit plans, audit findings and financial statements with them. The external auditors also have direct access to the ARC to highlight any issues of concern at any point in time. Pursuant to the ARC's TOR, private sessions between ARC and the external auditors will be held at least twice a year without the presence of the Executive Director and Key Senior Management to discuss audit findings and any other observations they might have during the audit process.

The ARC is responsible for the recommendation on the appointment and re-appointment of the Company's external auditors and the audit fees. The ARC carried out an assessment of the performance, independence and suitability of the external auditors based on the following factors:

1. the competency, audit quality, experience and resource capacity of the external auditors in relation to the audit;
2. the persons assigned to the audit;

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. other audit engagements of the audit firm;
4. the external auditors' ability to meet deadlines in providing services and responding to issues timely as outlined in the external audit plan;
5. the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
6. obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The assessment also considers the information presented in the Annual Transparency Report ("ATR"). The audit firm, PricewaterhouseCoopers PLT issued its ATR in 2022 on matters typically covered in the ATR including the firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks.

PricewaterhouseCoopers PLT, the external auditors of the Company have confirmed to the ARC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of relevant professional and regulatory requirements.

Being satisfied with the external auditors' performance, technical competence and independence, the ARC recommended the re-appointment of PricewaterhouseCoopers PLT as external auditors for the financial year ending 31 December 2023. In view thereof, the Board has recommended the re-appointment of the external auditors for the approval of shareholders at the forthcoming 2023 AGM.

## (C) Financial Reporting

The Board aims to present a clear, balanced and comprehensive assessment of the Group's financial position and future prospects that extends to the annual and quarterly financial statements. The Board is also responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and ensuring that the financial statements of the Group are prepared so as to give a true and fair view of the current financial status of the

Group in accordance with the Companies Act 2016 and applicable approved financial reporting standards in Malaysia.

The ARC assists the Board in discharging its fiduciary duties by ensuring that the audited financial statements and quarterly financial reports are prepared in accordance with the Malaysian Financial Reporting Standards and MMLR of Bursa Securities. In presenting the annual audited financial statements and quarterly announcements of results to shareholders, the Board aims to present a balance and fair assessment of the Company's financial position and prospects. The ARC reviews the Company's quarterly financial results and annual audited financial statements to ensure accuracy, adequacy and completeness prior to presentation to the Board for its approval.



*The Statement of Directors' Responsibility in respect of the preparation of the annual audited financial statements is set out in page 96 of this Annual Report.*

## II RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board acknowledges the significance of a sound system of risk management and internal control to manage the overall risk exposure of the Group which provides reasonable assurance in ensuring the effectiveness and efficiency of the Group's operations that is not limited to financial aspects of the business but also operational and regulatory compliance. In order to achieve the ultimate objectives whereby to protect the Group's assets and safeguard shareholders' investments, the ARC has been entrusted by the Board in managing the risks and establishment of the internal control system and processes of the Group.

The Company recognises that an internal audit function is essential to ensure the effectiveness of the Group's system of internal control and is an integral part of the risk management process. To achieve the purpose, the Group has established an in-house Group Internal Audit ("GIA") which reports directly to the ARC. The GIA carries out its function in accordance with the approved Internal Audit Charter. The findings of the audits and the recommendations for improvement or actions to be taken by the management to rectify the issue will be presented in ARC Meeting. The further details of Internal Audit Function are set out in the ARC Report of this Annual Report.

Any significant issue affecting the existing risks or emerging risks as well as the changes to the action plans to address the risks identified, will be discussed during the ARC meetings, and brought to the attention of the Board by the Chairman of ARC.

The Statement on Risk Management and Internal Control as set out in this Annual Reports provides an overview of the state of the Group's risk management and internal controls framework within the Group.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022



## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING & MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS



### I ENGAGEMENT WITH STAKEHOLDERS

The Company has a dedicated investor relations function led by the General Manager of Marketing, Public Relations, Corporate Communication and Investor Relations and the GCEO is an authorised spokesperson in relation to the disclosure of material information to shareholders and stakeholders.

The Group communicates with its stakeholders through various channels and media. A constructive and effective investor relationship is important to enhance shareholders' value and to keep shareholders and various stakeholders informed of the Group's performance, businesses, corporate affairs and establish a transparent, regular and effective two-ways communication.

Announcements, news, promotions and all relevant updates are posted on the Group's website regularly. The shareholders and other stakeholders can subscribe to the Group's Investor Relations News Alerts via its website on the latest announcements posted to its website. Shareholders may also communicate with the Group on investor relation matters via email or phone call. The contact details are available here [www.ctosdigital.com/investor-relations/overview](http://www.ctosdigital.com/investor-relations/overview).

The Group objective is to build long-term relationships with shareholders and potential investors through appropriate channels for the management and disclosure of information. The Group strives to disclose all price sensitive information to the public as soon as practicable and in terms of degree of the disclosures, the Group is guided by Bursa Securities' Corporate Disclosure Guide.

All public announcements are electronically published and can be accessed at Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) or the Group's website at [www.ctosdigital.com](http://www.ctosdigital.com). The Group's website includes dedicated sections which provide all relevant information on the Group, including announcements to Bursa Securities, share price information as well as the corporate and governance structure of the Group.

The Group communicates with its stakeholders through various means including:

- Corporate Website - provides an essential platform for investors and other stakeholders to access information periodically through the Investor Relations section at [www.ctosdigital.com](http://www.ctosdigital.com);
- Annual/Extraordinary General Meetings - offers an opportunity to our shareholders to raise their questions and concerns on the Group's performance directly to our Board and Management;

- One-on-One and Group Meetings/Investor Conferences/Roadshows - throughout the period, we held meetings with major institutional investors, individual shareholder groups and financial analysts to share and discuss the Group's business performance and its strategic plan; and
- Annual Reports - our Annual Report provides a comprehensive report on the Group's financial results, business operations and strategic direction.



*The information published in the Investors Relations section can be found at [www.ctosdigital.com/investor-relations](http://www.ctosdigital.com/investor-relations).*

During the period under review, we increased our engagements with the investment community and conducted more than 61 one-to-one and group meetings. During these engagements, the Group would address their concerns, where possible, to deliver sustainable value to its shareholders. In 2022, there were increased engagements with the Environmental, Social and Governance investors due to the higher focus on sustainability matters. Additionally, we are actively engaged with other IR stakeholders such as Bursa Securities, Malaysia Investor Relations Association, and other IR service providers to ensure the Group practices the highest standards of transparency and disclosure.



### II CONDUCT OF GENERAL MEETINGS

The Board regards general meeting as the principal forum for dialogue and interaction with shareholders for an effective two-way communication between the shareholders and Management. The shareholders are encouraged to participate in the general meetings and they are given opportunity to enquire and comment on the Group's performance and operations and the Board may clarify issues pertaining to the Group's business activities, performance and other related matters. All Directors (save for Mr Loh Kok Leong) together with the Senior Management team and the external auditors attended the 2022 AGM held on 27 May 2022 to provide meaningful responses to the questions raised by shareholders.

The notice convening the 2022 AGM held on 27 May 2022 was circulated to the shareholders on 29 April 2022, i.e. twenty-eight (28) days before AGM, which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxy to attend and vote on their behalf. The notice included details of the resolutions to be tabled and detailed explanations on the resolutions. Details of the resolutions proposed along with background information and reports or recommendations that are relevant were also provided in the notice of AGM.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

In view of the prevailing COVID-19 pandemic and as part of the Group's precautionary measures, the AGM was held in a fully virtual meeting through live streaming, using Remote Participation & Voting ("RPV") facilities to enhance the participation of shareholders. During the fully virtual AGM, shareholders were given opportunity to raise questions, suggestions, or comments before and throughout the AGM and all the questions raised by the shareholders were duly responded.

Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy. At the 2022 AGM, submission of e-Proxy Form is available on the RPV facilities for shareholders who were unable to attend to the AGM to appoint a proxy.

In compliance with the MMLR, the Company has implemented poll voting for all resolutions set out in the Notice of AGM to be voted via electronic means using RPV facilities as well as to expedite verification and counting of votes. The Company has also appointed an independent scrutineer to validate the votes cast at the AGM. All resolutions tabled during 2022 AGM were duly passed. Thereafter, the outcome of the meeting together with poll results were announced to Bursa Securities on the same day for the information of shareholders.

The Minutes of the 2022 AGM (including all the questions raised during the meeting) was published on the Company's corporate website no later than 30 business days after the AGM held on 27 May 2022.

## COMPLIANCE STATEMENT BY THE BOARD ON THE CORPORATE GOVERNANCE OVERVIEW STATEMENT

This statement on the Company's corporate governance practices is made in compliance with paragraphs 15.25 and 15.08A of the MMLR of Bursa Securities.

Having reviewed and deliberated this statement, the Board is satisfied that to the best of its knowledge, the Company is substantially in compliance with the principles and practices set out in the MCCG 2021 as well as the relevant paragraphs under the MMLR of Bursa Securities for the financial period under review. Any practices in the MCCG 2021 which have not been implemented during the financial period would be reviewed by the Board and be implemented where practical and relevant to the Group's business.

This statement has been presented and approved by the Board at its meeting held on 17 April 2023.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the Companies Act 2016 ("the Act") and Paragraph 15.26(a) of the MMLR of Bursa Securities, the Directors are required to prepare the financial statements for each financial year in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Act in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the financial position of the Group and of the Company at the end of the financial year, and of the financial performance and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- Adopted appropriate accounting policies in accordance with applicable approved accounting standards and applied them consistently;
- Made judgements and estimates that are reasonable and prudent; and
- Prepared the financial statements on a going concern basis.

The Act further requires the Directors to ensure that the Group and the Company keep such accounting and other records of the Group and of the Company with reasonable accuracy to ensure that the financial statements comply with the provisions of the Act.

The Directors are also responsible for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

## ADDITIONAL COMPLIANCE

### Material Contracts

There were no material contracts entered into by the Group involving the interests of the Director, Chief Executive Officer and/or major shareholders during the FY2022 or still subsisting at the end of the FY2022.

### Recurrent Related Party Transactions

The Company did not seek any shareholders mandate in respect of Recurrent Related Party Transactions ("RRPTs") of a revenue or trading nature, and will not be seeking any shareholders' mandate for the RRPTs at the forthcoming 2nd Annual General Meeting to be held on 26 May 2023.

### List of Properties

The Group does not have any properties as at the end of the financial year.

# AUDIT AND RISK COMMITTEE REPORT

The Board presents the Audit and Risk Committee ("**ARC**") Report, which provides insights into the manner in which the ARC discharged its functions for the Company in 2022.

## Composition and meeting attendance

The ARC comprises three (3) members who are all Independent Non-Executive Directors ("**INEDs**"). These INEDs satisfy the test of independence under the Main Market Listing Requirements ("**MMLR**"). The ARC meets the requirements of paragraph 15.09(1)(a) and (b) of the MMLR and Practice 9.4 under Principle B of the Malaysian Code on Corporate Governance ("**MCCG**"). There were eight (8) ARC meetings held during the financial year ended 31 December 2022. The Committee members' attendance details are as follows:

Nirmala Doraisamy (Chairperson)	Dato' Noorazman Abd Aziz	Su Puay Leng
8 of 8	8 of 8	8 of 8

The ARC Chairperson, Nirmala Doraisamy, is a member of the Malaysian Institute of Accountants ("**MIA**") and is a Fellow of Chartered Institute of Management Accountants in the United Kingdom. Accordingly, the Company complies with paragraph 15.09(1)(c)(i) of MMLR.

The Board is satisfied that the ARC and its members discharged their functions, duties and responsibilities in accordance with the ARC's Terms of Reference ("**TOR**") which is available on the Company's website at [www.ctosdigital.com](http://www.ctosdigital.com).

## Summary of work

The ARC's work during 2022 comprised the following:

1. Financial performance reporting
  - a. Reviewed the annual audited financial statements of the Group, and thereafter, recommended the same to the Board for adoption. In reviewing the annual audited financial statements, ARC discussed with the Management and the external auditors on the accounting principles and standards that were applied and key assumptions used by the Management and their opinion on the items that may affect the financial statements.
  - b. In the presence of the Group Chief Executive Officer ("**GCEO**"), reviewed the quarterly financial results of the Group and subsequently recommended the same to the Board for approval to be released to Bursa Securities. During these meetings, the Group Chief Financial Officer presented the quarterly financial reports and highlighted the material variances or movements for the relevant reporting quarters.
  - c. Reviewed the documents for solvency test on the declarations and payments of dividends, as required by Section 132 of the Companies Act 2016, and thereafter, recommended the same to the Board for approval.
  - d. Reviewed the Budget for the financial year ending 31 December 2023 and deliberated on the key assumptions used by Management in the preparation of the Budget, and thereafter, recommended the same to the Board for approval.

## AUDIT AND RISK COMMITTEE REPORT

### 2. External audit

- a. Reviewed the results of the annual audit and deliberated on the audit findings and internal control recommendations, including Management's response to the audit findings.
- b. Reviewed the independence and effectiveness of the external auditors and recommended to the Board to propose to shareholders the re-appointment of the external auditors at the Annual General Meeting of the Company. In relation to independence of the external auditors, the ARC received formal written statement from the external auditors, re-affirming the following:
  - they have maintained their independence in accordance with the firm's requirements, with the provisions of the *By-Laws on Professional Independence* of the MIA and with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards).
  - the non-audit services provided to the Group during the financial year were in accordance with the independence requirements and that there are no services provided that have compromised their independence as external auditors of the Group.
- c. Reviewed the external auditors' audit plan for the financial year ended 31 December 2022, which outlined the audit scope, key areas of audit emphasis and the audit approach.
- d. Considered in consultation with the management the proposed audit fees of the external auditors for financial year ended 31 December 2022 for recommendation to the Board for approval. The breakdown of fees for the services provided by the external auditors are as follows:

Description	Fee (RM)	Fee percentage
Statutory audit	426,700	70%
Audit related services ( <i>agreed-upon procedures and purchase price allocation review</i> )	106,000	17%
Non-audit related services ( <i>tax compliance and advisory</i> )	76,300	13%
<b>Total</b>	<b>609,000</b>	<b>100%</b>

In addition, the ARC had also carried out an assessment of their performance for the period under review, in accordance with the Company's *Performance Evaluation Framework for External Audit and Internal Audit Function*.

- e. Held two private sessions with the external auditors without management's presence during the financial year.
- f. Reviewed the Statement on Risk Management and Internal Control ("**SORMIC**"), and recommended the same for Board approval, prior to its publication in the 2022 Annual Report.

# AUDIT AND RISK COMMITTEE REPORT

## 3. Internal audit ("IA")

- a. Reviewed the IA reports presented by the Group Head of IA and assessed the IA observations, recommendations and the Management's corrective actions to address internal audit recommendations.
- b. Reviewed the adequacy and performance of IA function and its comprehensiveness of the coverage of activities within the Group, including adequacy of resources for the IA function.
- c. Carried out an assessment of the performance of the Group Head of IA for the period under review, in accordance with the Company's *Performance Evaluation Framework for External Audit and Internal Audit Function*.
- d. Held two (2) private meetings with the Group Head of IA without the presence of the Management.
- e. Approved the IA Plan for the year 2023.

## 4. Risk management

The ARC assisted the Board in its duty to review, monitor, on an ongoing basis, the effectiveness of the Group's risk management framework which include the following:

- a. Reviewed the key risks as reported by Group Senior Head of Risk and Business Compliance ("**RBC**") across the wide spectrum of risks facing the businesses and operations, which included strategic risk, business risk, financial risk and operational risk. The ARC has also assessed the adequacy and effectiveness of controls and/or mitigation actions identified and/or implemented by the respective business units in addressing the identified risks.
- b. Received update on half-yearly enterprise-wide and emerging risk assessments to ensure additional mitigations to strengthen the management of existing and emerging risks were undertaken.
- c. Reviewed the Risk Appetite Statement that outlines the amount and type of risks that the Group is exposed to and is willing to take, in order to meet its strategic objectives for Board approval.
- d. Reviewed the Enterprise-wide *Risk Management ("**ERM**") Policy and Framework* to incorporate updates such as Risk Appetite Statement, alignment of roles and responsibilities of the ARC to be consistent with the approved TOR and description of likelihood parameter and risk matrix.

- e. On quarterly basis, the ARC received update on risk management activities held within the Group and this including but not limited the following: -
  - i. Report of risk activities adherence with the Risk Appetite Statement (i.e, monitoring of breaches).
  - ii. Status of Business Continuity Plan formalisation within the Group.
  - iii. Trainings and awareness sessions conducted to increase the knowledge of risk management.
- f. Received update on the development status of the Key Risk Indicators for the Group.
- g. Discussed and received updates on the adequacy of resources for risk management function.

## 5. Compliance

Received updates from Group Senior Head of RBC on the compliance status of the Group, which include the following:

- Reviewed the audit results carried out by the Registrar Office of Credit Reporting Agencies ("**the Registrar Office**") to assess the compliance status of both CTOS Data Systems Sdn Bhd (a Credit Reporting Agency and the Company's main subsidiary) and CTOS Basis Sdn Bhd (a Credit Reporting Agency and the Company's other subsidiary) with the Credit Reporting Agencies Act ("**CRA Act**") 2010.
- Discussed and approved the scope of work to be carried out by the independent external party, Crowe Governance Sdn Bhd, prior to commencement of audit work; this was to assess the adequacy of internal controls of CTOS Data System Sdn Bhd to ensure it complies with BNM requirement. Subsequently, ARC reviewed the audit results of the internal controls assessment.
- New requirements under the CRA Act 2010 for both subsidiaries, CTOS Data Systems Sdn Bhd and CTOS Basis Sdn Bhd.
- ISO 27001 (the international standard on information security management) implementation on quarterly basis; this is to ensure both subsidiaries, CTOS Data Systems Sdn Bhd and CTOS Basis Sdn Bhd are able to fulfil the new regulatory requirement to be ISO 27001-certified by 2024.

## AUDIT AND RISK COMMITTEE REPORT

### 6. Environmental, Social and Governance ("ESG")

- a. Reviewed the Company's first Sustainability Statement and recommended to same for Board approval, prior to its publication in the 2021 Annual Report.
- b. Received quarterly updates on ESG initiatives.
- c. Received ESG training as part of the Company's commitment to raise ESG awareness for both Board members and the Company's employees.
- d. Reviewed Sustainability Statement Addendum and recommended the same for Board approval, prior to its publication on the Company's corporate website. The revision contributed to the Company's inclusion in FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Syariah Index in December 2022.

### 7. Cybersecurity

- a. Reviewed the efficacy and the state of the current cyber security posture, including efforts to remedy existing vulnerabilities and to minimise future potential vulnerabilities.
- b. Reviewed and deliberated the adequacy of existing resources to support the efforts to enhance cyber resilience in line with the management's plans.
- c. Discussed ongoing projects to strengthen CTOS' cyber security posture to ensure the project risks are effectively managed.

### 8. Related party transactions

- a. Reviewed, on a quarterly basis, if any, all recurrent related party transactions within the Group to ensure these transactions were at arm's length basis and were in the ordinary course of business; on terms not more favourable than those generally available to the public.
- b. Reviewed the procedures for recurrent related party transactions to ensure that the process and controls were in place to monitor the transactions.

- c. Reviewed the announcement to Bursa Securities to comply with the Listing Requirements and other relevant rules and regulations, and considered procuring of shareholders' mandate if the aggregate value of the recurrent and related party transactions is expected to exceed the percentage ratio of 5% within a period of 12 months.
- d. Deliberated on the related party transaction in relation to the acquisition of a related party's stake in RAM Holdings Berhad ("**RAM**"), including the basis and justification for the purchase consideration, rationale and benefits, prospects of RAM as well as the evaluation of the independent advisor.

### 9. Other matters

- a. Reviewed and endorsed the ARC Report and SORMIC, for Board approval, for the inclusion of these documents in the 2022 Annual Report.
- b. Reviewed the adequacy of internal controls relating to anti-bribery and anti-corruption ("**ABAC**") and advised the management on appropriate action plans based on good practices in other public listed companies in Malaysia.
- c. Received quarterly updates of the management of litigation cases from Corporate Legal Affairs.
- d. Received updates on the status of accounting and reporting system improvement initiative for better management of accounting records, as recommended by the external auditors. These include vendor appointment status, estimated timeline to complete this initiative and progress updates.
- e. Reviewed the Independent Advice Letter issued by the independent advisor in relation to the acquisition of additional interest in RAM.

# AUDIT AND RISK COMMITTEE REPORT

## Internal Audit ("IA") Function

IA's mission is to enhance and protect the organisational value of the Group by providing risk-based and objective assurance, advice and insight. IA helps the Company to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, internal controls, and governance processes.

IA reports functionally to the ARC and administratively to the GCEO. To ensure that the responsibilities of IA are fully discharged in accordance with the *International Standards for the Professional Practice of Internal Auditing*, the ARC reviews the adequacy of the scope and resources of the IA function as well as the competency and experience of the Internal Auditors.

Further information on the resources, objectivity and independence of the Group Head of IA and internal auditors are provided in the Corporate Governance Report in accordance with Practice 11.2 of the MCCG.

The following IA engagements were carried out during 2022:

1. Review of fee waiver activities in relation to CCRIS report extractions, to ensure that cost savings were fully passed on to CTOS Data Systems Sdn Bhd's customers.
2. Review to assess the compliance of both CTOS Data Systems Sdn Bhd and CTOS Basis Sdn Bhd with Sections 22 to 27 and Sections 29 to 31 of the CRA Act 2010.
3. Review of the Group's procurement activities, to assess the effectiveness of long-term supplier relationship management, procurement efficiency and general ABAC controls.
4. Review of the Group's product development activities, to determine the adequacy and effectiveness of governance surrounding product planning, product development and deployment, as well as third-party management.
5. Review of the Group's cybersecurity management, based on ISO 27001:2013 requirements.
6. Review to assess CTOS Data Systems Sdn Bhd's compliance with Section 47(2) of the Central Bank of Malaysia Act 2009.
7. Review of the management of the Group's assets and software; it focused on the adequacy and effectiveness of internal controls surrounding acquisitions, recordkeeping, maintenance activities and safeguarding of assets and software.
8. Review of the Group's budget management.
9. Validation of the Group's Sustainability Statement disclosures for FTSE4Good Bursa Malaysia Index inclusion.

These IA engagements were carried out based on the annual audit plan approved by the ARC. The results of the audits in the IA reports were reviewed by the ARC. The relevant Management members were made responsible for ensuring that corrective actions on reported IA observations were taken within the required timeframes. On a quarterly basis, IA tracked and reported the implementation of such corrective action plans to ensure that these were implemented appropriately.

As part of its control assessment activities, IA also leverages on the following, and communicates and engages with these independent parties for further information if necessary:

- a. Report received annually from Crowe Governance Sdn Bhd on its assessment of the compliance of CTOS Data Systems Sdn Bhd with BNM's requirement to enable it to access to CCRIS.
- b. Report received annually from the Registrar Office on its assessment of the compliance of CTOS Data Systems Sdn Bhd and CTOS Basis Sdn Bhd with CRA Act 2010 and relevant guidelines issued by the Registrar Office.

The total costs incurred by IA in discharging its functions and responsibilities in 2022 amounted to RM269,452, as compared to RM100,000 in 2021.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is committed to maintaining a strong internal control and risk management system. Under the leadership of the GCEO, who is responsible for good business and regulatory governance, each business / functional unit has implemented its own control processes. The following statement describes the nature and scope of internal control and risk management at the Company and its subsidiaries ("CTOS" or "the Group") in 2022.

## BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the Company and its subsidiary companies in establishing a sound system of risk management and internal control. The Board reviews the effectiveness, adequacy and integrity of the risk management framework and internal control system via the Audit and Risk Committee ("ARC"). This is to ensure that significant risks faced by the Group are being managed appropriately in proportionate to their level of significance, to allow the Group in responding timely and appropriately to changes in business and operating environment.

The Board has established a strong risk management and internal control governance structure that is crucial in setting the tone and culture towards effective risk management and internal control. To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions and internal controls and risk management to the ARC. The Board receives reports periodically from the ARC to keep the Board informed of its work, key deliberations and decisions on delegated matters.

The Board continually articulates, implements and reviews the adequacy and effectiveness of the Group's enterprise-wide risk management and internal control system which has been embedded in all aspects of the Group's activities. The Board, via the ARC reviews the processes, responsibilities and assesses for reasonable assurance that risks have been mitigated by formalising relevant controls and processes and to ensure that the system is viable and robust.

The Board confirms that there is continuous effort to enhance the overall risk management and internal control processes by pursuing various initiatives that involve the Group. This is in accordance with the guidance as contained in the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers".

In 2022, the adequacy and effectiveness of internal controls were reviewed by the ARC in relation to the audits conducted by Internal Audit (IA) during the year. Audit issues and actions taken by Management to address the issues tabled by IA were deliberated on during the ARC meetings. Minutes of the ARC meetings which recorded these deliberations were presented to the Board.

The Board has received assurances from the GCEO and Head of Financial Planning and Analysis that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

## KEY INTERNAL CONTROL PROCESSES

### A Authority and responsibility

The following are in place:

- Selected Board responsibilities are delegated to the ARC, the Nomination and Remuneration Committee, and the Board Investment Committee via clearly defined Terms of Reference ("TOR") that are reviewed periodically.
- The Delegation of Authority is in place to manage the Board Committees' and Management's authority and authorisation limits in all aspects of the Group's major business operations and regulatory functions. This includes guidance for entering into contracts, commitments and appropriating assets in the course of conducting the Group's business.
- Senior Management is accountable for the comprehensiveness of the risk identified, their assessment and their bottom-up reporting as well as ensuring appropriate risk management is being demonstrated. Their principal roles and responsibilities are as follows:
  - Provide executive leadership in the management of risk within their work responsibilities.
  - Review, update and approve their respective divisional risk profile as registered by each business unit.
  - Report risk exposures and status of action plans to the Risk Management Committee ("RMC").
  - Ensuring significant risks are considered and assessed during business planning.
  - Ensuring significant risks are mitigated by appropriate mitigation actions.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- As of 31 December 2022, the Group has two committees, namely the RMC and ISO27001 Committee, which have clearly defined TOR to enable good business and regulatory governance.

## **B Planning, monitoring and reporting**

The following are in place:

- Strategic planning activities to set out the Group's direction on an annual basis.
- Budgetary planning that is carried out on an annual basis, and budgetary control and monitoring that are reported on a quarterly basis.
- Periodic management review meeting, at both Group level (between Group Senior Management and subsidiary) and at subsidiary level.

## **C Policies and procedures**

To promote better compliance with internal controls and relevant laws and regulations, the Group has developed clear, formalised, and documented internal policies and procedures for key activities. These control documents are reviewed on a regular basis to ensure that they remain current and relevant. Employees can easily access common Group policies through the Company's intranet.

## **D Risk management**

The following are in place:

### **i. Risk management framework**

The Enterprise Risk Management Policy and Procedure ("**Framework**") is aligned to ISO 31000:2018 "Risk Management - Principles and Guidelines". The Framework provides a structured and consistent approach to risk management implementation across the Group for informed decision-making.

With our Framework, we identify, analyse, evaluate and mitigate the risks to protect the Group from negative financial and non-financial consequences that exceed the risk appetite at operational function, business unit, divisional and group levels. All risks relevant to the achievement of business objectives are evaluated and monitored. The relevant controls, action plans and Risk Owners are also identified. Each risk is rated according to its severity level depending on its likelihood and impact.

The principles of our ERM Framework are described in table below:

No.	Principles	Description
1	Culture of risk ownership	Risk management is part of the day-to-day job of all employees, driven through daily application of management and operational decisions
2	Defined risk appetite and strategy	Clear articulation of the Board's risk appetite in pursuit of its business objectives
3	Ensure proper governance and oversight function	A clear, effective and robust risk governance structure with clearly defined lines of accountabilities has been established within the Group
4	Implement sound risk framework, policies and process	Implementation of integrated risk framework, policies and procedures to ensure that risk management practices and processes are effective at all levels
5	Execute risk management practices and processes	Strong risk management processes are in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Group
6	Functional capabilities and capacity	The right talent pool and infrastructure are key to effectively carry out risk management activities

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### ii. Risk appetite

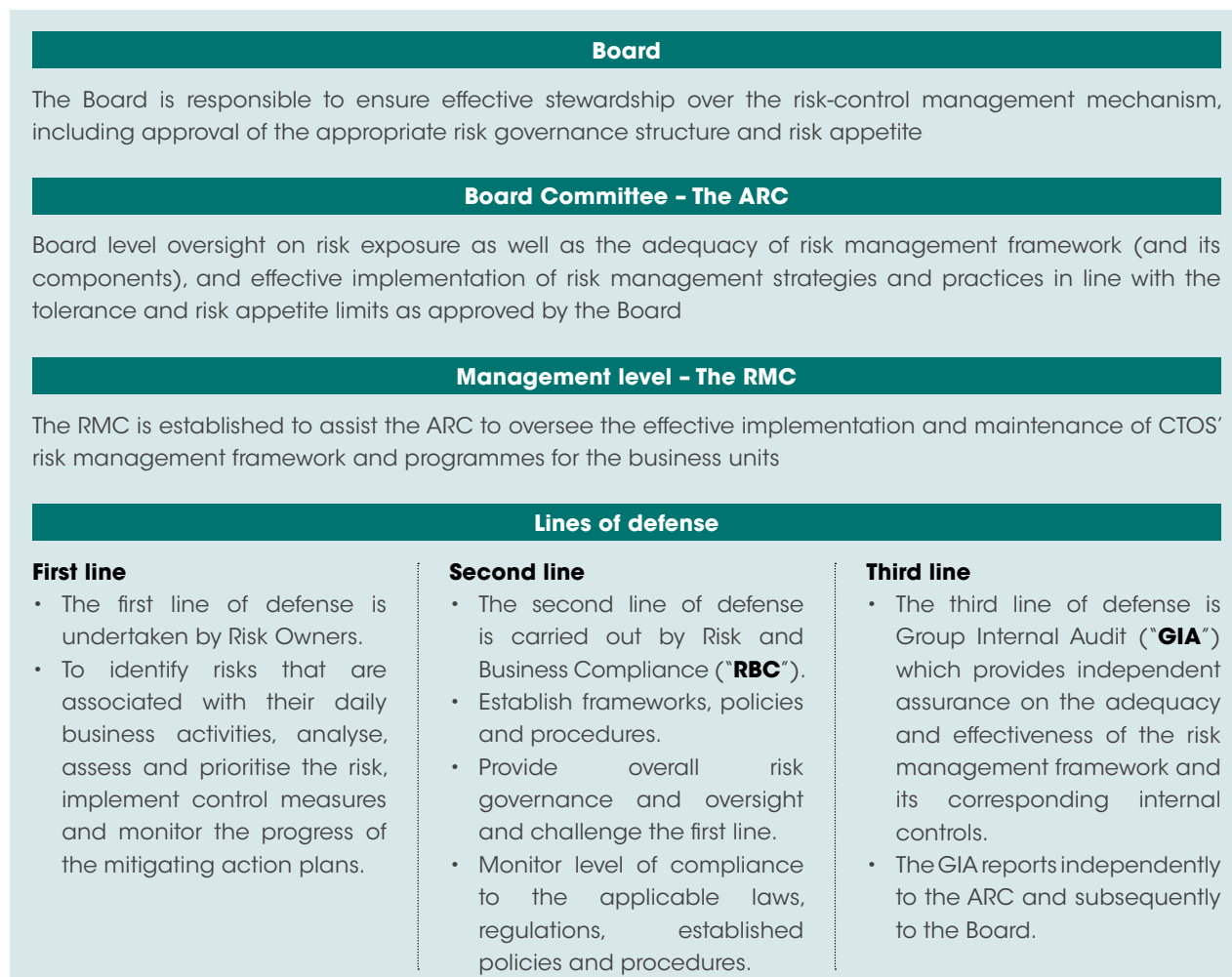
The Group's risk appetite is an integral component of the Group's robust Enterprise Risk Management Framework and is driven by both top-down Board leadership and bottom-up involvement of Senior Management at all levels. The detailed risk appetite statement and risk indicators will be developed in FY2022. These will enable the Board and Senior Management to communicate, understand and assess the types and levels of risks that the Group is willing to accept in pursuit of its business and strategic goals. It will also reflect the level of risk tolerance and limits to govern, manage and control the Group's risk-taking activities.

The risk appetite will be integrated into the strategic planning process, and will remain dynamic and responsive to the changing internal and external drivers such as market conditions, stakeholders' expectations and internal capabilities. Our risk appetite, once refined, will further provide a consistent structure in understanding risk and will be embedded in the day-to-day business activities and decisions throughout the Group.

### iii. Risk governance and oversight

The risk governance model of the Group is supported by a formal organisational structure with clear lines of authority and responsibility. It provides a formalised, transparent and effective governance structure that promotes active involvement from the Board and Senior Management in the risk management process to ensure a unified view of risk.

The risk management framework is effected through an organisational construct and escalation structure as depicted below:



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## iv. Risk and compliance culture

The risk and compliance culture of the Group is driven by a strong tone from the top by the Board and Senior Management and at the same time also inculcate an enterprise-wide awareness of risks at all level of the Group.

As part of the risk and compliance culture, the Group has instilled a culture where the Board, Senior Management and employees are committed to adhere to the requirements of relevant laws, rules, and regulations. This is reiterated in the recently formalised Risk Appetite Statement. This commitment is further demonstrated through the establishment and enhancement of policies, processes and controls in managing and preventing non-compliances.

Programmes related to risk and compliance including induction programme, e-Learnings and memorandums are established and driven by the Board and Senior Management as part of the journey toward effective risk management within the Group.

## v. Risk management processes

The Group's risk management process is guided by ISO31000:2018 Risk Management Guidelines as illustrated below. It comprises of the following elements:



## vi. Risk assessment

During the financial year ended 31 December 2022, the Group conducted their risk management and internal control system reviews which were assessed by the RMC and reported to the ARC on a quarterly basis.

The Group identified major risk areas of concern and mitigating actions were undertaken within appropriate timeframes. The management of the Group's significant risks identified for the financial year 2022 is outlined below:

No.	Risk name	Risk description	Mitigation action strategies / takeaways
1	Cyber threats and data security risk	As the technology landscape changes, increased adoption of digitalisation and service delivery via cyberspace, the Group could be more susceptible to external security attack, insider threats or network vulnerability.	The Group remains cautious and vigilant on potential cyber threats and has been continuously upgrading and enhancing the cybersecurity strategy to improve and upgrade processes, technology, and people in managing cyber risks.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

No.	Risk name	Risk description	Mitigation action strategies / takeaways
1	Cyber threats and data security risk (continued)	Additionally, the Group's nature of business in dealing with vast amount of data further elevates the above risks. These may include data compromise resulting in financial loss, reputational damage, breach of regulatory requirements and/or legal claims.	To further mitigate the risk, an insurance programme to safeguard major assets against financial loss is renewed annually.
2	Legal, regulatory and compliance risk	<p>The Group's main operating subsidiary is operating in a complex regulatory landscape and many of the business activities and services are subject to legal and regulatory influence.</p> <p>Changing regulations, compliance requirements and industry policies could adversely impact the Group's competitiveness and ability to conduct business efficiently.</p> <p>Any incidence of non-compliance and breach of regulations may result in material litigation and regulatory actions that will adversely impact the Group resulting in financial loss and reputational damage.</p>	<p>The Group undertakes robust monitoring of developments in laws and regulations and assesses its impact to its processes, where applicable.</p> <p>We continuously strengthen our policies, processes and controls in anticipation of and in response to new regulations, and key regulatory requirements.</p> <p>Furthermore, the Group also maintains regular engagement with the regulators, authorities, and legal experts to seek guidance and ensure compliance at all times.</p>
3	Financial risk	<p>The demand for the Group's products and services depends on the transaction volumes of its customers which, in turn, are sensitive to changes in general economic conditions.</p> <p>Furthermore, as competition intensifies amongst competitors, digital service providers and the rapid growth of the fintech industry in Malaysia, price and market erosion may impact both revenue and margin.</p>	<p>The Group has a comprehensive suite of offerings encompassing end-to-end credit management suite that enables the Group to be more competitive. It further invests in upgrading its suites of products on a continual basis to address changing and growing technological needs of the market.</p> <p>The Group will continue to look into implementing necessary strategies to further gain market share and maintain leadership position.</p>
4	Human capital risk	<p>The Group's success depends on the ability to attract, develop, motivate and retain key talent. Succession planning, especially on experienced senior personnel is crucial to maintain the Group's competitiveness in the market.</p> <p>The need to maintain talented and skilled personnel can positively impact the Group's ability to execute business strategies and deliver superior services to our customers.</p>	<p>The Group has put in place comprehensive guidelines on the employment, performance appraisal and training program for the retention of employees.</p> <p>In addition, the Group also proactively reviews the remuneration benefits of employees from time to time to stay competitive.</p>

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

No.	Risk name	Risk description	Mitigation action strategies / takeaways
5	Business continuity and crisis management risk	With the advent of cyber threats, computer network and system failure and other potential hazards such as pandemic outbreak, fires, floods, and major equipment failures, amongst others, the continuity of business operations is of a major concern to the Group.	<p>The Group has put in place the necessary disaster recovery plan for its critical business system to minimise any service interruptions.</p> <p>During the financial year, the Group did not encounter any major business interruption or crises.</p>
6	Operational risk	The Group's business relies on data from external data providers including government agencies and other public sources. Inability to continuously access these data sources or experiencing any service performance issue could impact the Group's ability in services delivery and harm its competitive position in the industry.	The Group is constantly focusing on enriching its data sources and developing alternative solutions to reduce dependency on external data sources and service providers.
7	Strategic risk	The Company is a constituent of the FTSE4Good Bursa Malaysia Index and the FTSE4Good Bursa Malaysia Shariah Index. Inability to adhere to the FTSE4Good requirements will result in the Company's removal from these indices, and subsequently will impact the Group's reputation and relationship with our stakeholders.	<p>The Company has established an ESG roadmap. This will be further elaborated in the Sustainability Statement.</p> <p>Continuous effort in complying with the requirements is vital to ensure the Company remains in the FTSE4Good indices in order to build a stronger corporate brand and promote sustainable long-term growth.</p>

### **E** Compliance management

The roles and responsibilities of Compliance are primarily guided by but not limited to the rules and regulations issued by the relevant regulators including Registrar of Credit Reporting Agency under Ministry of Finance, Bank Negara Malaysia, Department of Personal Data Protection, Securities Commission and Bursa Malaysia. Compliance provides guidance and solutions to business whilst ensuring business objectives and regulatory obligations are met.

### **F** Employee conduct

The following are in place:

- A Code of Business Conduct and Ethics establishes the Group's policy on business conduct and the standards of behaviour / ethical conduct expected of its employees. It outlines the minimum requirements for all employees to follow in areas and situations where public trust and confidence may be jeopardised or a law may be broken.
- The Group has a Whistleblowing Policy ("WP") and Whistleblowing Investigation Procedures ("WIP") that allow any person, including employees, directors, and external parties, to report any improper conduct as defined in the WP against any employee or director in a safe and confidential manner. An employee who reports improper behaviour in good faith shall not face retaliation, termination or suspension of service, disciplinary action, transfer, demotion, or any other use of authority to obstruct the whistleblower's right to continue performing their duties. The ARC is in charge of overseeing the implementation of WP and WIP, as well as ensuring effective administration by Human Resources and GIA.
- The Group has also hired an external counsel to conduct a gap analysis on its anti-bribery and anti-corruption ("ABAC") practises; the results of this exercise include the development of new procedures (as well as revisions to existing ones) that are expected to promote the highest levels of integrity and ethics amongst the Group's employees.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## **G Insurance**

Insurance coverage and physical safeguards on major assets are in place to protect the Group's assets from any unforeseen events that could result in material loss. Senior Management conducts a yearly policy renewal exercise to review the coverage of these assets, as recorded in the current fixed assets register.

## **H Internal audit function**

Internal audit ("IA") engagements are carried out in accordance with the annual IA plan approved by the ARC, taking into account feedback from Senior Management and the GCEO. GIA evaluates the selected areas under the IA scope in terms of risk exposures, compliance with approved policies and procedures, as well as relevant laws and regulations, and is benchmarked against available best practises where applicable.

Where significant gaps in the governance, risk management, and internal control processes are identified during the engagements, GIA makes recommendations to Senior Management on potential improvements in the design and effectiveness of existing processes. The ARC takes note of the review results (which include the state of internal controls and control improvements required), and these results are then shared with Senior Management to ensure the Group's internal control system is continuously improved. Follow-up assessments are carried out to determine the status of management's implementation of the GIA recommendations; these are also reported to the ARC.

Additionally, GIA reviews reports prepared by external consultants, if any.

GIA strives to continuously adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the International Standards for the Professional Practices of Internal Auditing, and the Code of Ethics.

## **REVIEW BY EXTERNAL AUDITORS**

This Statement on Risk Management and Internal Control has been reviewed by our external auditor in accordance with Paragraph 15.23 of Bursa Listing's Main Market Listing Requirements for the financial year under review. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditor to form an opinion on the adequacy and effectiveness of the risk management and internal control system of our Group.

## **CONCLUSION**

The system of internal control provides reasonable, rather than absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal control can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, losses, fraud or other irregularities.

The Board and Senior Management are committed to operating a sound system of internal control and the internal control system will continue to be reviewed, updated and improved upon in line with changes in the operating environment.

For the financial year under review and up to the date of issuance of the financial statements, the Board is satisfied with the adequacy, integrity and effectiveness of the Group's system of risk management and internal control. No material losses, contingencies, or uncertainties have arisen from any inadequate or failure of the Group's system of internal control that would require separate disclosure in the Group's Annual Report.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls, including the financial, operational and compliance controls and risk management system, maintained by the Group's management, were in place throughout the financial year and up to and as of the date of the report, are adequate to meet the needs of the Group in its current business environment.

This statement is made in accordance with a resolution of the Board dated 17 April 2023.



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# DIRECTORS' REPORTS

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of the Group are credit reporting agency, digital software related services including software development, outsourcing and provision of training services. Details of the principal activities of the subsidiaries are shown in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

## FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	<b>71,718</b>	<b>78,138</b>

## DIVIDENDS

The dividends declared since the end of the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2021:	
- Single-tier tax exempt third interim dividend of 0.33 sen per share on 2,200,000,000 ordinary shares, paid on 25 February 2022	7,260
In respect of the financial year ended 31 December 2022:	
- Single-tier tax exempt first interim dividend of 0.325 sen per share on 2,310,000,000 ordinary shares, paid on 10 June 2022	7,507
- Single-tier tax exempt second interim dividend of 0.59 sen per share on 2,310,000,000 ordinary shares, paid on 13 September 2022	13,629
- Single-tier tax exempt third interim dividend of 0.60 sen per share on 2,310,000,000 ordinary shares, paid on 14 December 2022	13,860
	<b>42,256</b>

Subsequent to the financial year, on 31 January 2023, the Company declared a fourth interim single-tier tax-exempt dividend of 0.36 sen per ordinary shares amounting to RM8.32 million in respect of the financial year ended 31 December 2022 which was paid on 15 March 2023. The financial statements for the financial year ended 31 December 2022 do not reflect these dividends. Upon declaration, the cash dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2023.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year have been disclosed in the financial statements.

## DIRECTORS' REPORTS

### SHARE CAPITAL

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM412.5 million to RM584.0 million by way of issuance of 110,000,000 new ordinary shares at an issue price of RM1.58 per share pursuant to the private placement exercise which was completed on 3 March 2022. Following the allotment of new shares, the Company's total number of share capital has increased to 2,310,000,000 shares.

Other than the above, there were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

### DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tan Sri Izzuddin bin Dali  
Dato' Noorazman bin Abd Aziz  
Erick Hamburger Barraza (appointed on 30 September 2022)  
Loh Kok Leong  
Lynette Yeow Su-Yin  
Nirmala A/P Doraisamy  
Su Puay Leng  
Wong Pau Min (alternate director to Loh Kok Leong)  
Datuk Azizan bin Haji Abd Rahman (resigned on 7 March 2022)  
Dennis Colin Martin (resigned on 30 September 2022)

### DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016, the Directors of the subsidiaries (excluding Directors who are also Directors of the Company) in office since the beginning of the financial year to the date of the report are as follows:

Chin Kuan Weng  
Wong Pau Min  
Omar Mahmoud  
Chan Chee Hoo (resigned on 15 April 2023)  
Puvendran A/L Sangaran (appointed on 15 April 2023)

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he/she is a member, or with a company in which the Director has a substantial financial interest.

## DIRECTORS' REPORTS

**DIRECTORS' BENEFITS (CONTINUED)**

The aggregate amount of emoluments received or due and receivable by the Directors of the Company during the financial year are as follows:

	Group RM'000	Company RM'000
Fees	456	456
Wages, salaries and bonuses	654	197
	1,110	653

There was no benefit-in-kind provided to Directors of the Company during the financial year.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**DIRECTORS' INTERESTS IN SHARES AND DEBENTURES**

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

	Number of ordinary shares in the Company			
	As at 1.1.2022/ date of appointment	Acquired	Sold	As at 31.12.2022
Tan Sri Izzuddin bin Dali	130,000	-	-	130,000
Dato' Noorazman bin Abd Aziz	200,000	-	-	200,000
Erick Hamburger Barraza	150,000	-	-	150,000
Loh Kok Leong	300,000	-	-	300,000
Lynette Yeow Su-Yin	300,000	-	-	300,000
Su Puay Leng	300,000	-	-	300,000
Wong Pau Min	700,000	-	(200,000)	500,000

**INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS**

The Company has effected Directors' and Officers' Liability Insurance for the Directors of the Group and of the Company, for up to a maximum of RM20.0 million for any one claim and in aggregate, at a total premium cost of RM40,290 in the current financial year.

## DIRECTORS' REPORTS

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment of doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for impairment of doubtful debt in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person except as disclosed in Note 23 to the financial statements; and
- (b) any contingent liabilities of the Group and of the Company which has arisen since the end of the financial year except as disclosed in Note 31 to the financial statements.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet its obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### IMMEDIATE HOLDING AND ULTIMATE HOLDING COMPANIES

The Directors regard Inodes Limited ("Inodes"), incorporated in British Virgin Islands as the immediate holding company and Creador II, LLC, incorporated in Mauritius as the ultimate holding company.

## DIRECTORS' REPORTS

**SUBSIDIARIES**

Details of subsidiaries are set out in Note 14 to the financial statements.

**AUDITORS' REMUNERATION**

Details of auditors' remuneration are as follows:

	Group RM'000	Company RM'000
Auditors' remuneration		
- fees for statutory audit to PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146)	<b>427</b>	<b>192</b>
- fees for other services to member firms of PricewaterhouseCoopers PLT	<b>182</b>	<b>108</b>
	<b>609</b>	<b>300</b>

**AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 17 April 2023. Signed on behalf of the Board of Directors:

TAN SRI IZZUDDIN BIN DALI  
DIRECTOR

ERICK HAMBURGER BARRAZA  
DIRECTOR

Kuala Lumpur

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
	Note				
CONTINUING OPERATIONS					
Revenue	5	194,781	153,166	91,845	64,461
Cost of sales		(30,154)	(19,190)	-	-
Gross profit		164,627	133,976	91,845	64,461
Other (expenses)/income		(1,513)	375	(1,633)	259
Selling and marketing expenses		(33,185)	(29,243)	(148)	(227)
Administrative expenses		(63,696)	(54,015)	(7,759)	(9,382)
Finance income	6	519	412	82	195
Finance costs	6	(4,345)	(5,679)	(4,185)	(5,617)
Share of profits of associates	15	23,274	7,217	-	-
Profit before tax	7	85,681	53,043	78,202	49,689
Tax expense	10	(13,963)	(9,338)	(64)	(59)
Profit from continuing operations		71,718	43,705	78,138	49,630
DISCONTINUED OPERATIONS					
Loss from discontinued operations	35	-	(1,134)	-	-
Profit for the financial year		71,718	42,571	78,138	49,630
Other comprehensive income/(loss):					
Items that will be subsequently reclassified to profit or loss:					
Exchange differences on translation of foreign operations		1,489	(6,742)	-	-
Share of other comprehensive loss of associate accounted for using equity method		(59)	(13)	-	-
Exchange differences on translation of discontinued operations		-	392	-	-
Items that will not be subsequently reclassified to profit or loss:					
Exchange differences on translation of foreign operations		-	171	-	-
Share of other comprehensive income of associate accounted for using equity method		2,410	-	-	-
Other comprehensive income/(loss) for the financial year		3,840	(6,192)	-	-
Total comprehensive income for the financial year		75,558	36,379	78,138	49,630

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit/(loss) for the financial year attributable to:					
Owners of the Company					
- from continuing operations		<b>71,718</b>	43,705	<b>78,138</b>	49,630
- from discontinued operations		-	(583)	-	-
		<b>71,718</b>	43,122	<b>78,138</b>	49,630
Non-controlling interests		-	(551)	-	-
		<b>71,718</b>	42,571	<b>78,138</b>	49,630
Total comprehensive income/(loss) for the financial year attributable to:					
Owners of the Company					
- from continuing operations		<b>75,558</b>	36,950	<b>78,138</b>	49,630
- from discontinued operations		-	(191)	-	-
		<b>75,558</b>	36,759	<b>78,138</b>	49,630
Non-controlling interests		-	(380)	-	-
		<b>75,558</b>	36,379	<b>78,138</b>	49,630
Earnings per share for profit attributable to ordinary equity holders of the Company:					
- Basic/diluted (sen)	32				
- Continuing operations		<b>3.1</b>	2.1	-	-
- Discontinued operations		-	-	-	-
		<b>3.1</b>	2.1	-	-

The notes on pages 109 to 192 form part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		Group		Company	
		2022 RM' 000	2021 RM' 000	2022 RM' 000	2021 RM' 000
Note					
NON-CURRENT ASSETS					
Property, plant and equipment	11	12,697	14,694	12	21
Right-of-use assets	12	3,033	4,631	133	205
Intangible assets	13	86,575	79,176	-	-
Investments in subsidiaries	14	-	-	342,828	342,828
Investments in associates	15	574,620	172,904	504,618	118,712
Other investment	16	-	17,664	-	17,664
Receivables, deposits and prepayments	18	554	554	26	26
Deferred tax assets	17	972	1,237	-	-
TOTAL NON-CURRENT ASSETS		678,451	290,860	847,617	479,456
CURRENT ASSETS					
Receivables, deposits and prepayments	18	39,299	25,161	114	107
Other investments	16	5,048	26,000	5,048	15,000
Amount due from related parties	19	2	1,422	-	-
Amount due from subsidiary	22	-	-	807	1,050
Tax recoverable		33	9	21	-
Cash and bank balances	20	12,406	17,131	3,395	2,147
TOTAL CURRENT ASSETS		56,788	69,723	9,385	18,304
CURRENT LIABILITIES					
Payables and accruals	21	31,374	21,755	1,636	2,062
Contract liabilities	5	7,508	8,208	-	-
Contingent consideration	34	12,157	-	12,157	-
Lease liabilities	12	1,606	1,546	73	70
Amount due to related parties	19	1,891	144	-	-
Borrowings	23	9,972	-	9,972	-
Taxation		16,294	7,970	-	18
TOTAL CURRENT LIABILITIES		80,802	39,623	23,838	2,150
NET CURRENT (LIABILITIES)/ASSETS		(24,014)	30,100	(14,453)	16,154

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Note					
NON-CURRENT LIABILITIES					
Lease liabilities	12	1,493	3,100	63	136
Contingent consideration	34	-	9,267	-	9,267
Deferred tax liabilities	17	71	100	-	-
Provision for restoration costs	24	678	612	-	-
Borrowings	23	139,489	-	139,489	-
TOTAL NON-CURRENT LIABILITIES		141,731	13,079	139,552	9,403
NET ASSETS		512,706	307,881	693,612	486,207
EQUITY					
Share capital	25	584,047	412,524	584,047	412,524
Reverse acquisition reserve		(193,528)	(193,528)	-	-
Equity contribution from shareholder		315	315	315	315
Other reserves	26	(2,542)	(6,426)	-	5,797
Retained earnings		124,414	94,996	109,250	67,571
TOTAL EQUITY		512,706	307,881	693,612	486,207

The notes on pages 109 to 192 form part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Ordinary shares		Equity contribution from shareholders RM'000	Other reserves				Total equity RM'000
	Number of shares '000	Share capital RM'000		Reverse acquisition reserve <sup>(1)</sup> RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
Group								
As at 1 January 2022	2,200,000	412,524	315	(193,528)	(6,669)	243	94,996	307,881
Issuance of new shares (Note 25)	110,000	173,800	-	-	-	-	-	173,800
Share issuance expenses (Note 25)	-	(2,277)	-	-	-	-	-	(2,277)
Profit for the financial year	-	-	-	-	-	-	71,718	71,718
Other comprehensive income/(loss)	-	-	-	-	1,458	2,426	(44)	3,840
Transaction with owners:								
Dividends paid (Note 30)	-	-	-	-	-	-	(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

Note:

<sup>(1)</sup> 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.

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.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Company	Note	Number of shares '000	Share capital RM'000	Equity contribution from shareholders RM'000	Other reserves RM'000	Retained earnings RM'000	Total equity RM'000
As at 1 January 2022		2,200,000	412,524	315	5,797	67,571	486,207
Issuance of new shares	25	110,000	173,800	-	-	-	173,800
Share issuance expenses	25	-	(2,277)	-	-	-	(2,277)
Profit and total comprehensive income for the financial year		-	-	-	-	78,138	78,138
Transaction with owners: Dividends paid	30	-	-	-	-	(42,256)	(42,256)
Reclassification of share-based payment reserve to retained earnings		-	-	-	(5,797)	5,797	-
As at 31 December 2022		2,310,000	584,047	315	-	109,250	693,612
As at 1 January 2021	26	100,000	197,994	315	5,797	74,012	278,118
Subdivision of shares	25	1,900,000	-	-	-	-	-
Issuance of new shares	25	200,000	220,000	-	-	-	220,000
Share issuance expenses	25	-	(5,470)	-	-	-	(5,470)
Profit and total comprehensive income for the financial year		-	-	-	-	49,630	49,630
Distribution of subsidiaries	35	-	-	-	-	(15,055)	(15,055)
Transaction with owners: Dividends paid	30	-	-	-	-	(41,016)	(41,016)
As at 31 December 2021		2,200,000	412,524	315	5,797	67,571	486,207

The notes on pages 109 to 192 form part of these financial statements.

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM' 000	2021 RM' 000	2022 RM' 000	2021 RM' 000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax					
Continuing operations		85,681	53,043	78,202	49,689
Discontinued operations		-	(970)	-	-
		85,681	52,073	78,202	49,689
Adjustments for:					
Allowance for impairment of receivables - net	28(c)	298	304	-	-
Depreciation of property, plant and equipment	11	5,264	5,989	9	6
Depreciation of right-of-use assets	12	1,598	1,729	72	12
Amortisation of intangible assets	13	1,628	880	-	-
Dividend income		(1,346)	-	(89,909)	(62,013)
Interest income		(108)	(156)	(12)	(22)
Distribution income from money market fund		(61)	(258)	(22)	(173)
Fair value gain on other investments		(350)	-	(48)	-
Loss/(gain) on disposal of property, plant and equipment		4	(4)	-	-
Accretion of provision for restoration costs	24	17	9	-	-
Changes in fair value of contingent consideration payable		2,890	(177)	2,890	(177)
Interest expense	6	4,178	5,616	4,178	5,616
Lease interest	12	150	81	7	1
Share of profits of associates		23,274	(7,217)	-	-
Defined benefit plan expense		-	49	-	-
Loss on foreign exchange		19	4,417	47	4,477
Operating cash flows before working capital changes		76,588	63,335	(4,586)	(2,584)
Changes in working capital:					
Receivables, deposits and prepayments		14,504	(3,070)	(31)	519
Payables and accruals		12,214	5,820	(426)	1,541
Contract liabilities		(700)	1,310	-	-
Related parties balances		3,167	(1,646)	-	-
Amounts due from subsidiaries		-	-	258	(989)
Cash flow generated from/(used in) operations		76,765	65,749	(4,785)	(1,513)
Interest received		108	156	12	22
Tax paid		(5,427)	(3,283)	(103)	(38)
Tax refunded		-	6	-	1
Share based payment		-	(113)	-	-
Defined benefit plan contribution		-	(373)	-	-
Dividend received	29	12,649	5,195	89,909	62,013
Net cash flows generated from operating activities		84,095	67,337	85,033	60,485

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company		
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	
Note						
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment	11	(5,278)	(2,587)	-	(27)	
Purchase of intangible assets	13	(9,561)	(2,038)	-	-	
Proceeds from disposal of property, plant and equipment		-	27	-	-	
Distribution income from money market funds		453	215	94	148	
Acquisition of subsidiary, net of cash acquired	34	-	(28,018)	-	(32,000)	
Investments in associate	15	(336,259)	(26,802)	(336,259)	(26,802)	
Purchase of other investments	16	(31,983)	(17,664)	(31,983)	(17,664)	
Investment in money market funds - net	16	20,952	(26,000)	9,952	(15,000)	
Net cash outflow on distribution of subsidiaries	35	-	(3,147)	-	-	
Net cash flows used in investing activities		(361,676)	(106,014)	(358,196)	(91,345)	
CASH FLOWS FROM FINANCING ACTIVITIES						
Restricted cash for term loan facility	20	(1,692)	1,435	(1,692)	1,435	
Proceeds from issuance of shares	25	173,800	220,000	173,800	220,000	
Payment of share issuance expenses	25	(2,277)	(5,470)	(2,277)	(5,470)	
Dividends paid	30	(42,256)	(41,016)	(42,256)	(41,016)	
Drawdown of borrowings	23	224,210	32,000	224,210	32,000	
Repayment of borrowings	23	(73,628)	(170,646)	(73,628)	(170,646)	
Payment of lease liabilities	12	(1,697)	(1,885)	(77)	(13)	
Transaction cost paid	23	(2,528)	(627)	(2,528)	(627)	
Interest paid	23	(2,771)	(3,092)	(2,771)	(3,092)	
Advances to a subsidiary	22	-	-	(15)	-	
Net cash flows generated from financing activities		271,161	30,699	272,766	32,571	
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(6,420)	(7,978)	(397)	1,711	
EFFECT OF EXCHANGE RATE CHANGES		3	173	(47)	(40)	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		17,131	24,936	2,147	476	
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		20	10,714	17,131	1,703	2,147

The notes on pages 109 to 192 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 1 GENERAL INFORMATION

The principal activity of the Company is investment holding, whilst the principal activities of the Group are credit reporting agency, digital software related services including software development, outsourcing and provision of training services.

The Directors regard Inodes Limited ("Inodes"), incorporated in British Virgin Islands as the immediate holding company and Creador II, LLC, incorporated in Mauritius as the ultimate holding company.

The address of the registered office and principal place of business of the Company are as follows:

### Registered office

Unit 30-1, Level 30, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

### Principal place of business

Unit 1-12, Level 8, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

## 2 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies in Note 3 to the financial statements.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial period. It also requires the Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

As at 31 December 2022, the Group and the Company were in net current liabilities positions of RM24.0 million and RM14.5 million respectively which was mainly contributed by the Group's and the Company's tax payable, contingent consideration and borrowings as at 31 December 2022. The Group and the Company have prepared the financial statements on a going concern basis premised upon the sufficiency of cash flows to enable the Group and the Company to meet their liabilities as and when they fall due and to carry out their operations without a significant curtailment. See Note 28(b) for details.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 2 BASIS OF PREPARATION (CONTINUED)

### (a) Standards, amendments to published standards and interpretations that are effective to the Group and the Company

The amendments and improvements to published standards that are effective for the Group's and the Company's financial year beginning on or after 1 January 2022 are as follows:

- Amendment to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021'
- Amendments to MFRS 116 'Proceeds before Intended Use'
- Amendments to MFRS 3 'Reference to the Conceptual Framework'
- Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'
- Annual Improvements to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities'
- Annual Improvements to Illustrative Example accompanying MFRS 16 'Leases': Lease Incentives

The adoption of the above amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

### (b) Standards, amendments to published standards and interpretations that are applicable to the Group and the Company but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on or after 1 January 2023. None of these are expected to have a significant effect on the financial statements of the Group and the Company except the following:

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.
- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2024) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period based on its compliance with the conditions required on or before the reporting date (even if tested only after period end). Conditions that an entity is required to comply only within 12 months after the reporting period do not affect the classification of liability as current or non-current at reporting date.

The assessment of whether an entity has the right to defer settlement of a liability at the reporting date is not affected by expectations of the entity or events after the reporting date.

The amendments shall be applied retrospectively.

The amendments above are not expected to have a material impact to the Group and the Company.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

**(a) Basis of consolidation****(i) Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations when the acquired sets of activities and assets meet the definition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss. See accounting policy Note 3(e)(i) on goodwill.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is accounted for as an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

#### (ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

#### (iii) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

#### (iv) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of profit/(loss) of an associate' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(a) Basis of consolidation (continued)****(iv) Associates (continued)**

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in profit or loss.

The cost of acquiring an additional stake in an associate is added to the carrying amount of associate and equity accounted. Goodwill arising on the purchase of additional stake is computed using fair value information at the date the additional interest is purchased. The previously held interest is not remeasured.

When the Group increases its stake in an existing investment and the investment becomes an associate for the first time, the cost of an associate acquired in stages is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date when the investment became an associate. Any gain or loss on re-measurement of the previously held stake is recognised in profit or loss or other comprehensive income if election has been made under MFRS 9. Any acquisition-related costs are expensed in the periods in which the costs are incurred. Goodwill is determined on acquisition date, based on the difference between the cost of the investment (which comprise of both fair value of consideration transferred for additional interest and fair value of interest previously held) and the Group's share of fair value of the associate's net assets.

**(b) Investments in subsidiaries and associates in separate financial statements**

In the Company's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment losses. The cost includes any contingent consideration to be transferred by the Company and is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(g) on impairment of non-financial assets.

On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Foreign currencies

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within administrative expenses. All other foreign exchange gains and losses are presented in profit or loss on a net basis within other income/(expenses).

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments classified as at fair value through other comprehensive income ("FVOCI") are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as at fair value through other comprehensive income, are included in other comprehensive income.

#### (iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Foreign currencies (continued)****(iii) Group companies (continued)**

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss, as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

**(d) Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in other income/(expenses) in profit or loss.

Property, plant and equipment are depreciated on the straight-line method to write off the cost of property, plant and equipment to their residual values over their estimated useful lives at the following annual rates:

Computers	20% - 33%
Office equipment	20% - 33%
Renovation	15% - 20%
Furniture and fittings	15% - 33%
Motor vehicles	20% - 25%

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Property, plant and equipment (continued)

Work-in-progress will be reclassified to the respective categories of property, plant and equipment and depreciated when the assets are ready for their intended use.

At each reporting date, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the property, plant and equipment is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 3(g) on impairment of non-financial assets.

### (e) Intangible assets

The Group acquires intangible assets either as part of a business combination or through separate acquisition. Intangible assets acquired in a business combination are recorded at their fair values at the date of acquisition and recognised separately from goodwill. On initial acquisition, management judgement is applied to determine the appropriate allocation of purchase consideration to the assets being acquired, including goodwill and identifiable intangible assets.

Intangible assets that are considered to have a finite life are amortised on a straight-line basis over the period of expected benefit. Intangible assets that are considered to have an indefinite economic useful life are not amortised but tested for impairment on an annual basis, or where an indication of impairment exists. See accounting policy Note 3(g) on impairment of non-financial assets.

#### (i) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### (ii) Database and customer relationships

Separately acquired database are shown at historical cost. Database and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The acquired database and customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the database and customer relationships, not exceeding 5 years.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(e) Intangible assets (continued)****(iii) Brand names and trademarks**

Separately acquired brand names and trademarks are shown at historical cost. Brand names and trademarks acquired in a business combination are recognised at fair value at the acquisition date. Brand names and trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brand names and trademarks over their estimated useful lives of 20 years.

**(iv) Licenses fee**

Separately acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of 3 years.

**(v) Computer software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised using the straight-line method from the point at which the asset is ready for use over their estimated useful lives, which does not exceed 5 years.

Some computer software is part of a system that cannot operate without being integrated with the related hardware. The Group treats this computer software as property, plant and equipment as it is an integral part of the property, plant and equipment. The Group uses judgement to assess which element is more significant. When the software is not an integral part of the related hardware, computer software is treated as an intangible asset.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

#### Financial assets

##### (i) Classification

The Group and the Company classify their financial assets to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group and the Company reclassify debt investments when and only when its business model for managing those assets changes.

##### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

##### (iii) Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

#### Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income/(expenses) using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses) together with foreign exchange gains and losses. Impairment losses are presented within administrative expenses in the statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(f) Financial instruments (continued)**Financial assets (continued)**(iv) Subsequent measurement - impairment**

The Group and the Company assess on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company have few types of financial instruments that are subject to the ECL model:

- trade receivables;
- other receivables;
- deposits;
- amount due from subsidiaries; and
- amount due from related parties.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

**(a) General 3-stage approach for other receivables, deposits, amount due from subsidiaries and amount due from related parties**

At each reporting date, the Group and the Company measure ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

**(b) Simplified approach for trade receivables**

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial instruments (continued)

#### Financial assets (continued)

#### (iv) Subsequent measurement - impairment (continued)

##### Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor; and
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

##### Definition of default and credit-impaired financial assets

The Group and the Company define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

##### Quantitative criteria:

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

##### Qualitative criteria:

The debtor meets unlikelihood to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

- the debtor is in breach of financial covenants;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## (f) Financial instruments (continued)

Financial assets (continued)(iv) Subsequent measurement - impairment (continued)Write-off

- Trade receivables

Trade receivables is written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and the Company, and a failure to make contractual payments for a period of greater than 365 days past due.

Impairment losses on trade receivables is presented within administrative expenses in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

- Other receivables, amount due from subsidiaries and amount due from related parties

The Group and the Company write off financial assets, in whole or in part, when they have exhausted all practical recovery efforts and have concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity. These are presented within administrative expenses in the statement of comprehensive income. Subsequent recoveries of amounts previously written off will result in impairment gains.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial instruments (continued)

#### Financial liabilities

##### (i) Classification and measurement

The Group and the Company classify their financial liabilities in the following categories: at fair value through profit or loss, other financial liabilities and financial guarantee contracts. Management determines the classification of financial liabilities at initial recognition.

The Group's and the Company's financial liabilities at fair value through profit or loss comprise deferred contingent consideration arising from business combination. 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.

Other financial liabilities are non-derivative financial liabilities. Other financial liabilities are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these liabilities are recognised in profit or loss.

The Group's and the Company's other financial liabilities comprise payables (including amount due to related parties) and borrowings in the statement of financial position. Financial liabilities are classified as current liabilities, except for maturities greater than 12 months after the reporting date, in which case they are classified as non-current liabilities.

The Group and the Company do not hold any financial guarantee contracts.

##### (ii) Recognition of financial liabilities

Financial liabilities are recognised when the Group and the Company become a party to the contractual provisions of the instrument.

##### (iii) Derecognition of financial liabilities

Financial liabilities are derecognised when the liability is either discharged, cancelled, has expired or has been restructured with substantially different terms.

##### (iv) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(g) Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. The Group also assesses goodwill, intangible assets with indefinite useful life and other assets that are subject to amortisation for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

**(h) Fair value estimation**

The fair value of the financial assets, financial liabilities and derivative financial instruments are estimated for recognition and measurement or for disclosure purposes.

In assessing the fair value of financial instruments, the Group and the Company make certain assumptions and applies the estimated discounted value of future cash flows to determine the fair value of financial instruments. The fair values of financial assets and financial liabilities are estimated by discounting future cash flows at the current interest rate available to the respective companies for similar financial instruments.

The face values for financial assets and financial liabilities with a maturity of less than one year are assumed to be approximately equal to their fair values.

**(i) Trade and other receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance. See accounting policy Note 3(f)(iv) on impairment of financial assets.

**(j) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Payables

Payables, including accruals, represent liabilities for goods received and services rendered to the Group and the Company prior to the end of the financial year and which remain unpaid. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (l) Current and deferred income tax

Tax expenses for the period comprise current and deferred tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group and its associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled taking into consideration of the expiry date of tax incentive, based on the tax rates and tax laws substantially enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, investment tax allowance or unused tax losses can be utilised.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred tax liability is recognised for all taxable temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and current tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority or either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(m) Provision for restoration costs**

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

Provision for restoration costs is the estimated costs of dismantling and removing the fixtures and effects to restore the rental premises back to its original state and condition.

**(n) Employee benefits****(i) Short term employee benefits**

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as payables and accruals in the statement of financial position. The Group and the Company recognise provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**(ii) Post-employment pension benefits**

The Group and the Company have various post-employment pension benefit schemes in accordance with local conditions and practices in the countries in which the Group and the Company operate. These benefits plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group and the Company have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

**Defined contribution plans**

The Group's and the Company's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Employee benefits (continued)

#### (ii) Post-employment pension benefits (continued)

##### Defined benefit plans

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee service in the current year. It is recognised in profit or loss in employee benefit expense, except where included in the cost of an asset.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income in the period in which they arise.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statements of comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

#### (iii) Share-based payments

The Group and the Company operate an equity-settled, share-based compensation plan under which the Company and its subsidiaries receive services from employees as consideration for equity instruments (options) of the Company, pursuant to the Employee Share Option Scheme ("ESOS"). The fair value of the options granted in exchange for the services of the employees are recognised as employee benefit expense over the vesting period with a corresponding increase to share option reserves within equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding of shares for a specific period of time).

Non-market vesting conditions and service conditions are included in assumptions about the number of options that are expected to vest.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(n) Employee benefits (continued)****(iii) Share-based payments (continued)**

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share option reserve in equity.

In circumstances where employees provide services in advance of the grant date, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

In its separate financial statements of the Company, the grant by the Company of options over its equity instruments to the employees of subsidiary in the Company are treated as a capital contribution to the subsidiary. The fair value of options granted to employees of the subsidiary in exchange for the services of the employees to the subsidiary are recognised as investment in subsidiary, with a corresponding credit to equity of the Company.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

Any payment made to employees on the cancellation or settlement of the grant is accounted for as the repurchase of an equity interest, i.e. as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess is recognised as an expense. However, if the share-based payment arrangement included liability components, the Group remeasures the fair value of the liability at the date of cancellation or settlement. Any payment made to settle the liability component is accounted for as an extinguishment of the liability.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Leases

#### Accounting by lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Company allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

#### (i) Lease term

In determining the lease term, the Group and the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (periods after termination options) are only included in the term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affects whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities (refer to (iv) below).

#### (ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- decommissioning or restoration costs.

ROU assets are subsequently measured at cost, less any accumulated depreciation and impairment loss, if any. The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

ROU assets are presented as a separate line item in the statement of financial position.

#### (iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group and the Company under residual value guarantees;
- the exercise price of a purchase and extension options if the Group and the Company are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(o) Leases (continued)**Accounting by lessee (continued)**(iii) Lease liabilities (continued)**

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the leases in the Group and the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group and the Company present the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance costs in the statement of comprehensive income.

**(iv) Reassessment of lease liabilities**

After the commencement date, a lessee shall remeasure the lease liability to reflect changes to the lease payments by using a revised discount rate if either:

- a change in lease term due to the lessee exercises an option (purchase/termination/extension) in a different way than the Group and the Company have previously determined was reasonably certain; or
- a change in lease term due to an event occurs that contractually obliged/prohibits the lessee from exercise the option.

In contrast, a lessee shall use an unchanged discount rate to remeasure lease liability to reflect changes to lease payments if either:

- a change in the amounts expected to be payable under a residual value guarantee; or
- a change in future lease payments resulting from a change in an index or rate used to determine those payments.

A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment to the ROU. However, if the carrying amount of the ROU is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

**(v) Short-term leases and leases of low value assets**

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office equipment. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Revenue recognition

#### Revenue from contracts with customers

##### (i) Provision of services

The Group's revenue arises from a range of products including subscriptions fees for access to the Group's online credit risk management platform, sale of reports, trade referencing and monitoring services, CTOS electronic Know-Your-Customer ("eKYC") services, CTOS Application and Decisioning ("CAD") services, fraud bureau services and portfolio reviews.

The Group recognises revenue when it satisfies a performance obligation by transferring control of a promised product or service to a customer. The Group determines whether goods or services are distinct, and therefore separate performance obligations, when there are multiple promises in a contract.

At the inception of the contract, the Group determines the consideration or transaction price that it expects to be entitled in exchange for transferring promised goods or services to the customer, which may include fixed consideration and variable consideration. Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The total consideration is allocated to the performance obligations identified based on their standalone selling price, and is recognised when those performance obligations are satisfied and the control of goods or services is transferred to the customer, either over time or at a point in time.

#### Credit reporting services

Revenue from subscription of the Group's online credit risk management platform is from fixed subscription fees. The Group recognises revenue from the fixed subscription fees on a straight-line basis over the subscription period. The subscription can be renewed monthly or annually.

Revenue from sales of reports (CTOS digital reports and external reports) is recognised when control of the reports are transferred to the customers.

Revenue from trade referencing and monitoring services is from fixed monthly subscription fees, which are recognised over the period in which the services are performed.

Revenue from fraud bureau services is from fixed subscription fees, which are recognised at the point in time when the results are transferred to the customers.

Revenue from comprehensive portfolio reviews and analytics is recognised when control of the review results or deliverables are transferred to the customers.

The eKYC services that are provided in a bundled contract comprise multiple promises which may include the sale of software licenses, setup and installation services at the customer's premises, document verification, facial recognition, bureau file verification, knowledge-based authentication services (collectively "verification services") and maintenance and technical services. The Group accounts for each service in the bundled contract as separate performance obligations as the services are not inputs to a combined item that the customer has contracted to receive. The Group can fulfil its promise to transfer each of the goods or services separately and does not provide any significant integration, modification, or customisation services.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(p) Revenue recognition (continued)**Revenue from contracts with customers (continued)**(i) Provision of services (continued)**Credit reporting services (continued)

For each of the verification services, revenue is recognised at the point in time when the verification services are completed and the results are shared with the customer. Bundled contracts usually comprise fixed and variable considerations. The transaction fees for the verification services are variable depending on the volume of transactions. Accumulated experience is used to estimate the volume of the verification services using the expected value method. The transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on the expected cost-plus margin.

For eKYC contracts which only comprise sales of verification services, revenue is recognised when the verification services are completed and the results are shared with the customers.

For CAD contracts that consist of multiple promises such as credit decisioning results and access to the Group's hosted loan management systems, the Group determines that each promise is distinct and are therefore separate performance obligations. These contracts usually comprise fixed and variable considerations. The transaction fees for the credit decisioning results are variable depending on the volume of transactions. Accumulated experience is used to estimate the volume of the verification services using the expected value method. The transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on the expected cost-plus margin. The Group recognises revenue from access to the hosted loan management systems over the service period, while revenue from credit decisioning results is recognised at the point in time when the results are shared with the customers.

For CAD contracts which only comprise credit decisioning results, revenue is recognised when the credit decisioning results are completed and shared with the customers.

Sale of software licenses

The Group recognises revenue from the sale of software license at the point in time when control of the software license has been transferred to the customer.

When another party is involved in providing the software licenses to the customer, the Group is a principal as it controls the software licenses before they are transferred to the customers. As the principal, the Group recognises as revenue on the gross consideration allocated to the software licenses with the corresponding direct costs of satisfying the contract.

Installation and maintenance services

The Group recognises revenue from installation services over time as and when the installation progresses. Revenue in respect of maintenance and technical services are recognised over the period the maintenance and technical services are performed.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Revenue recognition (continued)

#### Revenue from contracts with customers (continued)

##### (ii) Contract liabilities

Contract liability is the unsatisfied obligation by the Group to transfer goods or services to customer for which the Group has received the consideration in advance or has billed the customer.

#### Revenue from other sources

##### (i) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group and the Company.

##### (ii) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

### (q) Incremental costs incurred to obtain or fulfil a contract

The Group has elected the practical expedient by recognising the costs incurred to obtain a contract as an expense where the costs incurred to obtain a contract are in respect of contracts with amortisation period of less than one year.

### (r) Share capital

##### (i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual arrangement of the particular instrument.

##### (ii) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

##### (iii) Dividends to shareholders of the Group

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(s) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of the assets. Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss within finance costs.

Interest expense, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance costs in the statement of comprehensive income.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

**(t) Earnings per share****(i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

**(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Group Chief Executive Officer, Group Chief Financial Officer, Chief Executive Officer and Chief Operating Officer of the respective subsidiaries.

### (v) Administrative expenses

The nature of expenses classified within administrative expenses are those which are not directly attributable to revenue generating activities of the Group but are part of the Group's overall operating activities. The expenses classified within administrative expenses includes staff cost other than staff cost for sales and marketing employees, depreciation expenses of property, plant and equipment and ROU assets, IT support expenses, professional fees and foreign exchange gain or loss amongst others.

### (w) Distribution of non-cash assets to owners

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.

### (x) 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 separate major line of business or geographical area of operations, is part of a single coordinated 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.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact on the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****(a) Revenue recognition for contracts with customers**Identification of performance obligations ("PO")

For the various models of the eKYC contracts and certain types of CAD contracts, they are considered to be bundled solutions that consist of multiple products and services promised to the customers. The Group accounts for individual products and services separately as separate performance obligations if they are distinct promised products and services, i.e. if a product or service is separately identifiable from other items in the bundled solution and if a customer can benefit from it separately. The Group exercises judgements in determining whether the products and services are considered distinct and are separate performance obligations for the eKYC and CAD revenue contracts. This determination will affect the allocation of consideration in the contract and revenue recognised for each performance obligation.

The Group recognises the revenue at a point in time or over time depending on when the control over the provision of services are transferred to the customers. The Group also exercises judgement on the timing when the control is transferred to determine the timing of recognition.

Determining stand-alone selling price ("SSP")

The Group has exercised judgement in estimating the SSP of each PO in the eKYC and CAD revenue contracts, given that the SSPs for products and services are not directly observable in the market. The Group has used a cost plus margin approach, by incorporating the expected cost of satisfying a PO and an appropriate margin for the particular product or service.

Determining transaction price

The Group has determined that the volume of transactions that are highly probable for each revenue contract as the basis to estimate the variable volume and consideration in determining the variable consideration it will be entitled to from respective contracts. The estimates of variable consideration should be updated at the end of each reporting period and any changes are accounted for as a change in estimates (adjustments to revenue) in the period in which the transaction price changes.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 5 REVENUE

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Provision of services:	(a)				
- digital reports		<b>78,949</b>	55,525	-	-
- subscriptions and monitoring services		<b>85,832</b>	80,914	-	-
- comprehensive portfolio review and analytics		<b>15,323</b>	9,398	-	-
- digital solutions		<b>14,677</b>	7,329	-	-
- other services		-	-	<b>3,281</b>	2,448
- dividend income from subsidiaries and associates		-	-	<b>88,564</b>	62,013
		<b>194,781</b>	153,166	<b>91,845</b>	64,461

(a) Revenue from contracts with customers

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Timing of revenue recognition:				
- at a point in time	<b>104,228</b>	68,971	<b>3,281</b>	2,448
- over time	<b>90,553</b>	84,195	-	-
Revenue from contracts with customers	<b>194,781</b>	153,166	<b>3,281</b>	2,448

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

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

	Group	
	2022 RM'000	2021 RM'000
Type of customers:		
- Key Accounts	<b>74,767</b>	53,589
- Commercial - Malaysia	<b>91,415</b>	83,205
- Commercial - International	<b>13,320</b>	7,260
- Direct-to-Consumer	<b>15,279</b>	9,112
Total	<b>194,781</b>	153,166

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**5 REVENUE (CONTINUED)****(b) Contract liabilities related to contracts with customers**

The Group has recognised the following contract liabilities related to contracts with customers:

	Note	Group	
		2022 RM'000	2021 RM'000
Contract liabilities	(i), (iii)	<b>7,508</b>	8,208

**(i) Significant changes in contract liabilities**

	Note	Group	
		2022 RM'000	2021 RM'000
<u>Contract liabilities</u>			
Balance at the beginning of the year		<b>8,208</b>	6,681
Acquisition of subsidiary	34	-	376
Distribution of subsidiary	35	-	(163)
Revenue recognised that was included in the contract liability balance at the beginning of the year		<b>(8,208)</b>	(7,057)
Increases due to cash received, excluding amounts recognised as revenue during the year		<b>7,508</b>	8,367
Foreign currency translation difference		-	4
Balance at the end of the year		<b>7,508</b>	8,208

**(ii) Asset recognised from costs to obtain or fulfil a contract**

The Group has elected the practical expedient to recognise contract cost incurred related to contracts with an amortisation period of less than one year as an expense when incurred.

**(iii) Unsatisfied performance obligations**

In the previous financial years, the Group applied the practical expedient in MFRS 15 and did not disclose information about recognising performance obligations that have original expected duration of one year or less.

As of 31 December 2022, the aggregate amount of the transaction price allocated to the remaining performance obligations for eKYC and CAD contracts amounts to RM3.8 million (2021: RM5.4 million) and the Group will recognise this revenue as and when the services are performed, which is expected to occur over the next 12 to 36 months.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 5 REVENUE (CONTINUED)

(b) Contract liabilities related to contracts with customers (continued)

(iii) Unsatisfied performance obligations

The Group expects that the transaction price of RM2.5 million (2021: RM2.4 million) allocated to unsatisfied performance obligations as of 31 December 2022 will be recognised as revenue within the next 12 months. The remaining allocated transaction price of RM1.3 million (2021: RM3.0 million) will be recognised over the next 24 to 36 months.

The Group applied the practical expedient in MFRS 15 for all other contracts with periods of one year or less and the unsatisfied performance obligations for these contracts are not disclosed.

## 6 FINANCE INCOME AND FINANCE COSTS

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Finance income</u>					
Interest income		108	154	12	22
Distribution income from money market funds		61	258	22	173
Fair value gain on other investments		350	-	48	-
		519	412	82	195
<u>Finance costs</u>					
Interest expense on:					
- bank borrowings		4,178	5,608	4,178	5,608
- lease liabilities		150	54	7	1
Accretion of provision for restoration costs	24	17	9	-	-
Others		-	8	-	8
		4,345	5,679	4,185	5,617

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**7 PROFIT BEFORE TAX**

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

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Allowance for impairment of receivables - net	28(c)	<b>298</b>	222	-	-
Auditors' remuneration					
- fees for statutory audit to PricewaterhouseCoopers PLT		<b>427</b>	285	<b>192</b>	99
- fees for audit related services <sup>(1)</sup>		<b>106</b>	214	<b>98</b>	175
- fees for other services <sup>(2)</sup>		<b>76</b>	94	<b>10</b>	17
- fees for statutory audit to other auditors		<b>8</b>	5	-	-
Depreciation of property, plant and equipment		<b>5,264</b>	5,853	<b>9</b>	6
Depreciation on right-of-use assets		<b>1,598</b>	1,540	<b>72</b>	12
Amortisation of intangible assets		<b>1,628</b>	731	-	-
Search charges and data fees		<b>17,440</b>	14,291	-	-
Advertising, promotion and sales commission expenses		<b>9,599</b>	8,803	<b>148</b>	228
IT support expenses		<b>8,694</b>	6,591	<b>2</b>	2
Legal and professional fees		<b>2,484</b>	2,496	<b>439</b>	68
Rental of buildings		<b>233</b>	240	-	-
Realised loss on foreign exchange		<b>11</b>	4,297	<b>42</b>	4,316
Unrealised loss/(gain) on foreign exchange		<b>19</b>	(54)	<b>47</b>	40
Bad debts recovered		<b>(63)</b>	-	-	-
Staff cost (including Directors' remuneration)	9	<b>55,484</b>	44,876	<b>3,919</b>	3,088
Loss/(gain) on disposal of property, plant and equipment		<b>4</b>	(4)	-	-
Interest income	6	<b>(108)</b>	(154)	<b>(12)</b>	(22)

## Notes:

<sup>(1)</sup> Fees incurred mainly in connection with performance of quarter review, agreed-upon procedures and purchase price allocation review paid or payable to PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) and member firms of PricewaterhouseCoopers International Limited.

<sup>(2)</sup> Fees incurred for assisting the Group in connection with tax compliance and tax advisory services paid or payable to member firms of PricewaterhouseCoopers International Limited.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 8 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year are as follows:

Tan Sri Izzuddin bin Dali  
Dato' Noorazman bin Abd Aziz  
Erick Hamburger Barraza (appointed on 30 September 2022)  
Loh Kok Leong  
Lynette Yeow Su-Yin  
Nirmala A/P Doraisamy  
Su Puay Leng  
Wong Pau Min (alternate director to Loh Kok Leong)  
Datuk Azizan bin Haji Abd Rahman (resigned on 7 March 2022)  
Dennis Colin Martin (resigned on 30 September 2022)

The aggregate amount of emoluments received/receivable by the Directors of the Company during the financial year are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fees	456	451	456	327
Wages, salaries and bonuses	654	1,422	197	791
	1,110	1,873	653	1,118

There was no benefit-in-kind provided to Directors of the Company during the financial year.

## 9 STAFF COST (INCLUDING DIRECTORS' REMUNERATION)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fees	456	451	456	327
Wages, salaries and bonuses	48,801	39,252	3,090	2,563
Defined contribution plan	6,227	5,159	373	189
	55,484	44,876	3,919	3,088

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 10 TAX EXPENSE

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Continuing operations</u>					
Current tax:					
- current year		18,801	10,045	74	59
- (over)/under accruals in prior years		(5,074)	331	(10)	-
Deferred tax:					
- origination and reversal of temporary differences	17	236	(1,038)	-	-
		13,963	9,338	64	59
<u>Discontinued operations</u>					
Tax expense	35	-	164	-	-
		13,963	9,502	64	59

The Company's subsidiary, 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's 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 ("MDEC") which became effective on 1 January 2019, such tax relief period will only last until 30 June 2021. CDS requires approval from 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.

CTOS 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 10 TAX EXPENSE (CONTINUED)

On 28 July 2022, CDS has received the approval in principle from the Ministry of Finance ("MOF") via MDEC on the extension of income tax exemption under Section 127(3)(b) of the Income Tax Act 1967. The approval in principle is applicable until the amendment of provisions for the extension of the second 5-year period under P.U. (A) 389/2018 is approved and gazetted.

Pending the gazettment of P.U. (A) 389/2018, CDS' tax expense for the financial year ended 31 December 2022 was computed using the corporate income tax rate of 24%. In the financial year ended 31 December 2021, CDS' tax expense for the period 9 November 2021 to 31 December 2021 was computed using the corporate income tax rate of 24%.

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

The explanation of the relationship between the tax expenses and profit before tax is as follows:

	Group		Company	
	2022 %	2021 %	2022 %	2021 %
<u>Numerical reconciliation between the Malaysian tax rate and effective tax rate</u>				
Malaysian tax rate:	<b>24</b>	24	<b>24</b>	24
Tax effects of:				
- pioneer status tax exemption	-	(10)	-	-
- income not subject to tax	-	-	<b>(28)</b>	(30)
- expenses not deductible for tax purposes	<b>5</b>	6	<b>4</b>	6
- share of profits of associates	<b>(7)</b>	(3)	-	-
- (over)/under accruals in prior years	<b>(6)</b>	1	-	-
Effective tax rate	<b>16</b>	18	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 11 PROPERTY, PLANT AND EQUIPMENT

Group	Computers RM'000	Office equipment RM'000	Renovation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Work in progress RM'000	Total RM'000
<u>2022</u>							
<u>Cost</u>							
As at 1 January	28,594	582	5,117	48	60	2,714	37,115
Additions	1,832	29	55	7	-	1,348	3,271
Disposals	(1,385)	-	-	-	-	-	(1,385)
Reclassifications	924	-	-	-	-	(924)	-
As at 31 December	29,965	611	5,172	55	60	3,138	39,001
<u>Accumulated depreciation</u>							
As at 1 January	17,334	530	4,469	28	60	-	22,421
Charge to statement of comprehensive income	4,742	21	493	8	-	-	5,264
Disposals	(1,381)	-	-	-	-	-	(1,381)
As at 31 December	20,695	551	4,962	36	60	-	26,304
Net book value	9,270	60	210	19	-	3,138	12,697

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Computers RM'000	Office equipment RM'000	Renovation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Work in progress RM'000	Total RM'000
<u>2021</u>							
<u>Cost</u>							
As at 1 January	30,046	902	5,184	85	124	1,962	38,303
Additions	2,138	18	21	3	-	2,152	4,332
Disposals	(4,241)	(329)	(28)	(64)	-	-	(4,662)
Reclassifications	1,400	-	-	-	-	(1,400)	-
Distribution of subsidiary	(778)	(9)	(63)	24	(66)	-	(892)
Currency translation differences	29	-	3	-	2	-	34
As at 31 December	28,594	582	5,117	48	60	2,714	37,115
<u>Accumulated depreciation</u>							
As at 1 January	16,663	843	3,734	58	94	-	21,392
Charge to statement of comprehensive income	5,116	22	824	10	17	-	5,989
Disposals	(4,218)	(329)	(28)	(64)	-	-	(4,639)
Distribution of subsidiary	(234)	(6)	(63)	24	(53)	-	(332)
Currency translation differences	7	-	2	-	2	-	11
As at 31 December	17,334	530	4,469	28	60	-	22,421
Net book value	11,260	52	648	20	-	2,714	14,694

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Company		
	Cost RM'000	Accumulated Depreciation RM'000	Net book value RM'000
<u>Computers</u>			
At 1 January 2022	27	(6)	21
Additions	-	(9)	(9)
At 31 December 2022	27	(15)	12
At 1 January 2021	-	-	-
Additions	27	(6)	21
At 31 December 2021	27	(6)	21

**12 LEASES**

- (i) The statement of financial position shows the following amounts relating to leases:

Right-of-use assets

	Note	Group		
		Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
<b>Buildings</b>				
At 1 January 2022		4,905	(274)	4,631
Expired		(5)	5	-
Charged to statement of comprehensive income	7	-	(1,598)	(1,598)
At 31 December 2022		4,900	(1,867)	3,033
At 1 January 2021		5,577	(3,506)	2,071
Acquisition of subsidiary	34	5	-	5
Distribution of subsidiary	35	(1,058)	416	(642)
Additions		4,899	-	4,899
Expired		(4,556)	4,556	-
Charged to statement of comprehensive income		-	(1,729)	(1,729)
Currency translation differences		38	(11)	27
At 31 December 2021		4,905	(274)	4,631

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 12 LEASES (CONTINUED)

- (i) The statement of financial position shows the following amounts relating to leases (continued):

### Right-of-use assets (continued)

Buildings	Note	Company		
		Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
At 1 January 2022		217	(12)	205
Charged to statement of comprehensive income	7	-	(72)	(72)
At 31 December 2022		217	(84)	133
At 1 January 2021		-	-	-
Additions		217	-	217
Charged to statement of comprehensive income	7	-	(12)	(12)
At 31 December 2021		217	(12)	205

### Lease liabilities

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current	1,606	1,546	73	70
Non-current	1,493	3,100	63	136
As at 31 December	3,099	4,646	136	206

- (ii) Nature of the lessee's leasing activities and restrictions or covenants imposed by leases

The Group and the Company leases various office spaces. Rental contracts are typically made for fixed periods of 3 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowings.

- (iii) Variable payments terms

The Group and the Company do not have any variable payment terms on their lease agreements.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**12 LEASES (CONTINUED)****(iv) Extension options and termination options**

Extension and termination options are included in lease contracts across the Group and the Company. Extension and termination options are included, when possible, to provide greater flexibility. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

In cases in which the Group and the Company are not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities. As at 31 December 2022, the Group and the Company did not exercise any extension option, therefore no financial effect recognised in lease liabilities.

Potential future rental payments to periods following the exercise date of extension options are summarised below.

	Potential future lease payments not included in lease liabilities (undiscounted)				
	2024 RM'000	2025 RM'000	2026 RM'000	2027 RM'000	Total RM'000
<u>At 31 December 2022/</u>					
<u>At 31 December 2021</u>					
<u>Group</u>					
Office space	267	1,604	1,604	1,336	4,811
<u>Company</u>					
Office space	13	77	77	63	230

**(v) Movement in lease liabilities arising from financing activities as follows:**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	<b>4,646</b>	2,251	<b>206</b>	-
Acquisition of subsidiary	-	6	-	-
Additions	-	4,899	-	217
Repayment of lease liabilities	<b>(1,697)</b>	(1,885)	<b>(77)</b>	(13)
Distribution of subsidiary (Note 35)	-	(736)	-	-
Non-cash changes:				
- interest expense	<b>150</b>	81	<b>7</b>	1
- currency translation differences	-	30	-	-
At 31 December	<b>3,099</b>	4,646	<b>136</b>	206

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 13 INTANGIBLE ASSETS

Group	Goodwill RM'000	Database and customer relationship RM'000	License fee RM'000	Computer software RM'000	Total RM'000
<u>2022</u>					
As at 1 January	74,642	698	-	3,836	79,176
Additions	-	3,925	-	5,102	9,027
Amortisation charge for the financial year	-	(497)	-	(1,131)	(1,628)
As at 31 December	74,642	4,126	-	7,807	86,575
Cost	74,642	7,844	1,443	9,597	93,526
Accumulated amortisation	-	(3,718)	(1,443)	(1,790)	(6,951)
As at 31 December	74,642	4,126	-	7,807	(86,575)

Group	Note	Goodwill RM'000	Database and customer relationship RM'000	Brand name and trademark RM'000	License fee RM'000	Computer software RM'000	Total RM'000
<u>2021</u>							
As at 1 January		46,062	256	676	-	2,578	49,572
Acquisition of subsidiary	34	36,735	873	-	-	-	37,608
Additions		-	-	-	-	2,572	2,572
Amortisation charge for the financial year		-	(199)	(15)	-	(666)	(880)
Distribution of subsidiaries	35	(8,369)	(241)	(687)	-	(672)	(9,969)
Currency translation differences		214	9	26	-	24	273
As at 31 December		74,642	698	-	-	3,836	79,176
Cost		74,642	3,919	-	1,443	4,495	84,499
Accumulated amortisation		-	(3,221)	-	(1,443)	(659)	(5,323)
As at 31 December		74,642	698	-	-	3,836	79,176

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**13 INTANGIBLE ASSETS (CONTINUED)**Impairment testing for cash-generating units ("CGU") containing goodwill

For the purpose of impairment testing, the carrying amount of goodwill is allocated to CGUs identified at the operating segments, which are the Malaysian and International operations as disclosed in Note 34.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on internally approved financial forecasts covering five years period which reflect management's expectations of revenue and earnings before interest, taxes, depreciation and amortisation ("EBITDA") based on past experience and future expectations of business performance.

A segment-level summary of the Group's net book value of goodwill allocation is as follows:

	Group	
	2022 RM'000	2021 RM'000
Malaysia	<b>37,906</b>	37,906
International	<b>36,735</b>	36,735

The key assumptions used in the value in use calculations are as follows:

Malaysia

*For the financial year ended 31 December 2022*

- a) revenue growth ranging from 15% to 30% for the next five years financial forecast period;
- b) EBITDA margin ranging from 35% to 47% for the next five years financial forecast period;
- c) pre-tax discount rate of 11.65%; and
- d) terminal growth rate of 3.9%.

*For the financial year ended 31 December 2021*

- a) revenue growth ranging from 5% to 24% for the next five years financial forecast period;
- b) EBITDA margin ranging from 33% to 36% for the next five years financial forecast period;
- c) pre-tax discount rate of 10.49%; and
- d) terminal growth rate of 3.2%.

There is no reasonably possible change in a key assumption on which management has based the determination of the CGU's recoverable amount that would cause the CGU's carrying amount to exceed its recoverable amount.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 13 INTANGIBLE ASSETS (CONTINUED)

Impairment testing for cash-generating units ("CGU") containing goodwill (continued)

The key assumptions used in the value in use calculations are as follows (continued):

International

*For the financial year ended 31 December 2022*

- (a) average revenue growth of approximately 24% for the next five years financial forecast period;
- (b) average EBITDA margin of approximately 63% for the next five years financial forecast period;
- (c) pre-tax discount rate of 11.71%; and
- (d) terminal growth rate of 3.9%.

*For the financial year ended 31 December 2021*

- (a) average revenue growth of approximately 13% for the next five years financial forecast period;
- (b) average EBITDA margin of approximately 62% for the next five years financial forecast period;
- (c) pre-tax discount rate of 10.4%; and
- (d) terminal growth rate of 3.2%.

There is no reasonably possible change in a key assumption on which management has based the determination of the CGU's recoverable amount that would cause the CGU's carrying amount to exceed its recoverable amount.

## 14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2022 RM'000	2021 RM'000
Unquoted shares, at cost	<b>336,918</b>	336,918
Fair value of share options granted, over the Company's equity instruments for employees of subsidiaries	<b>5,910</b>	5,910
	<b>342,828</b>	342,828

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)**

The information on the subsidiaries are as follows:

Name	Principal activities	Group's effective interest	
		2022	2021
<u>Incorporated in Malaysia</u>			
CTOS Data Systems Sdn. Bhd. ("CDS") <sup>1</sup>	Credit reporting agency and other digital software related services	100%	100%
CTOS Business Systems Sdn. Bhd. ("CBS") <sup>1</sup>	Software developer and other related services	100%	100%
Automated Mail Responder Sdn. Bhd. ("AMR") <sup>1</sup>	Dormant	100%	100%
CTOS IDS Sdn. Bhd. ("IDS") <sup>1</sup>	Outsourcing and training services	100%	100%
Enfo Sdn. Bhd. ("Enfo") <sup>2</sup>	Investment holding	100%	100%
CTOS Insights Sdn. Bhd. ("CTOS Insights") <sup>2</sup>	Investment holding	100%	100%
CTOS Basis Sdn. Bhd. ("CTOS Basis") <sup>1</sup>	Credit reporting service, business information service, credit bureau, marketing list, market research, industry studies and related consultation services	100%	100%
<u>Incorporated in Singapore</u>			
CIBI Holdings Pte. Ltd. ("CIBI Holdings") <sup>3</sup>	Investment holding	-	-
<u>Incorporated in the Philippines</u>			
Subsidiary of CIBI Holdings Pte. Ltd. CIBI Information, Inc. ("CIBI") <sup>2</sup>	Credit information bureau, business information reporting and data analytics services such as pre-employment check	-	-

<sup>1</sup> Audited by PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) ("PwC Malaysia"), auditors of the Company.

<sup>2</sup> The financial statements of these companies are audited by firms other than the auditors of the Company.

<sup>3</sup> The financial statements of these companies are audited by member firms of PricewaterhouseCoopers International Limited which are separate and independent legal entities from PwC Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 15 INVESTMENTS IN ASSOCIATES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted shares	<b>513,960</b>	126,497	<b>504,618</b>	118,712
Share of post-acquisition results and reserves	<b>60,660</b>	46,407	-	-
Share of net assets of associates	<b>574,620</b>	172,904	<b>504,618</b>	118,712

The details of the associates are as below:

Name	Principal activities	Group's effective interest	
		2022	2021
<u>Incorporated in Malaysia</u>			
Associate held through Enfo and CTOS Insights			
Experian Information Services (Malaysia) Sdn. Bhd. ("Experian")	Provision of credit reporting business, credit bureau and information services	26%	26%
Associate held by the Company			
Juris Technologies Sdn. Bhd. ("JurisTech")	Software development	49%	-
RAM Holdings Berhad ("RAM")	Investment holding	57.675%	-
<u>Incorporated in Thailand</u>			
Associate held by the Company			
Business Online Public Company Limited ("BOL")	Service provider and developer of local and global financial information system and as an online and offline business information service provider as well as consulting service and database management	24.825%	22.65%
<u>Incorporated in the Philippines</u>			
Associate held by CIBI			
Consumer CreditScore Philippines, Inc. ("CCSP")	Credit sourcing company	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## (a) Acquisition of equity interest in associates

BOL

On 6 August 2021, the Company acquired additional 21,743,300 ordinary shares in BOL, representing 2.65% of the total paid up share capital of BOL, for a total cash purchase consideration of THB208.7 million (equivalent to RM26.8 million). The acquisition was completed on 10 August 2021. 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.

On 9 March 2022, the Company acquired additional 17,846,200 ordinary shares in BOL, representing 2.175% of the total paid up share capital of BOL, for a total cash purchase consideration of THB205.2 million (equivalent to RM26.2 million). Upon completion of the acquisition, the shareholdings in BOL increased to 203,690,600 ordinary shares, representing 24.825% of the equity interest in BOL. The acquisition was completed on 11 March 2022.

JurisTech

On 4 March 2022, the Company completed the acquisition of 490,000 ordinary shares in JurisTech, representing 49% of the total issued and paid up share capital of JurisTech, for a total cash consideration of RM205.8 million. Upon completion of the transaction, JurisTech becomes an associate of the Company.

RAM

During the financial year, the Company acquired a total of 4,955,000 ordinary shares in RAM, representing 49.55% of the total issued and paid up share capital of RAM, for a total cash consideration of RM136.2 million as follows:

Date of acquisition	Number of additional ordinary shares acquired	Additional equity interest acquired	Total cash consideration RM'million
4 February 2022	350,000	3.50%	10.5
25 April 2022	560,000	5.60%	14.6
9 May 2022	200,000	2.00%	6.9
2 September 2022	1,990,000	19.90%	51.3
19 September 2022	80,000	0.80%	2.3
3 October 2022	1,565,000	15.65%	44.6
4 October 2022	210,000	2.10%	6.0
	4,955,000	49.55%	136.2

# NOTES TO THE FINANCIAL STATEMENTS

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## 15 INVESTMENTS IN ASSOCIATES (CONTINUED)

### (a) Acquisition of equity interest in associates (continued)

#### RAM (continued)

In the previous financial year, the Group's investment of 8.125% equity interest in RAM was classified as an investment in financial instrument measured at FVOCI as disclosed in Note 16. The Group increased its stake in RAM during the financial year and has significant influence over RAM by virtue of the Group having effective shareholding of more than 20% in RAM with effect from 2 September 2022 and the right to appoint a board representative in the Board of Directors of RAM. As a result, the Group's investment in RAM which was previously classified as other investment is reclassified to investment in associate with effect from 2 September 2022.

Subsequently, the Group's shareholdings in RAM increased to 55.575% on 3 October 2022 and 57.675% on 4 October 2022. At the end of the financial year, the Group holds 57.675% equity interest in RAM. Notwithstanding the Group's effective shareholding of more than 50% in RAM, the Group does not have control over RAM and the ability to direct the relevant activities of RAM. This is because the power to direct the relevant activities resides with the Board of Directors of RAM and the decisions on relevant activities are approved via a simple majority irrespective of the equity interest of the shareholders who appointed the directors. The Group does not have the ability to appoint majority of the directors in RAM due to the terms of the Board Charter of RAM which requires at least 75% independent and non-executive directors and the Constitution of RAM which requires any appointment of board members to be approved by the Securities Commission Malaysia ("SC"), or if required, such other relevant authority. Therefore, the Group continues to have significant influence in RAM and account for this investment as an associate.

### (b) 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 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.

### (c) Contingent liabilities

There are no contingent liabilities relating to the Group's interest in the associates.

## NOTES TO THE FINANCIAL STATEMENTS

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## 15 INVESTMENTS IN ASSOCIATES (CONTINUED)

## (d) Summarised financial information

The tables below provide summarised financial information for the associates of the Group which are accounted for using the equity method. The information disclosed reflects the amounts presented in the financial statements of the associates and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments.

	Experian		BOL		JurisTech	RAM
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2022 RM'000
<u>Summarised statement of financial position</u>						
Current assets	<b>44,347</b>	37,798	<b>71,609</b>	67,171	<b>27,973</b>	<b>155,004</b>
Non-current assets	<b>4,025</b>	2,047	<b>102,577</b>	87,730	<b>41,278</b>	<b>113,883</b>
Current liabilities	<b>(14,583)</b>	(11,342)	<b>(29,051)</b>	(26,356)	<b>(15,071)</b>	<b>(17,043)</b>
Non-current liabilities	<b>(648)</b>	(25)	<b>(16,730)</b>	(14,171)	<b>(11,305)</b>	<b>(23,113)</b>
Net assets	<b>33,141</b>	28,478	<b>128,405</b>	114,374	<b>42,875</b>	<b>228,731</b>
Group's share in %	<b>26%</b>	26%	<b>24.825%</b>	22.65%	<b>49%</b>	<b>57.675%</b>
Group's share of net assets	<b>8,617</b>	7,404	<b>31,876</b>	25,906	<b>21,009</b>	<b>131,921</b>
Goodwill	<b>51,796</b>	51,796	<b>113,221</b>	87,798	<b>188,897</b>	<b>27,282*</b>
Carrying amount at end of financial period/year	<b>60,413</b>	59,200	<b>145,097</b>	113,704	<b>209,906</b>	<b>159,203</b>
Quoted fair value	-	-	<b>288,976</b>	362,428	-	-

\* Based on provisional purchase price allocation exercise performed

	Experian		BOL		JurisTech	RAM
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	4.3.2022 to 31.12.2022 RM'000	2.9.2022 to 31.12.2022 RM'000
<u>Summarised statement of comprehensive income</u>						
Revenue	<b>50,143</b>	40,124	<b>87,560</b>	84,197	<b>52,826</b>	<b>26,653</b>
Profit for the financial period/year	<b>4,622</b>	6,179	<b>23,431</b>	25,178	<b>18,880</b>	<b>9,271</b>
Other comprehensive income/(loss)	-	-	<b>9,893</b>	(57)	-	-
Share of total comprehensive income of associate	<b>1,212</b>	1,606	<b>9,815</b>	5,598	<b>9,251</b>	<b>5,347</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 16 OTHER INVESTMENTS

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Non-current</u>					
Unquoted equity investment	(a)	-	17,664	-	17,664
<u>Current</u>					
Investment in money market funds		5,048	26,000	5,048	15,000

(a) In the previous financial year, the Company acquired a total of 812,500 ordinary shares in RAM, representing 8.125% of the total issued and paid-up share capital of RAM for a total cash consideration of RM17,663,750. During the financial year, the Group increased its stake in RAM and the investment in RAM is classified as an associate with effect from 2 September 2022 as disclosed in Note 15.

## 17 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group	
	2022 RM'000	2021 RM'000
Deferred tax assets	972	1,237
Deferred tax liabilities	(71)	(100)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group	
	2022 RM'000	2021 RM'000
Deferred tax assets:		
- to be recovered after more than 12 months	350	690
- to be recovered within 12 months	2,254	2,637
	2,604	3,327
Deferred tax liabilities:		
- to be settled after more than 12 months	(944)	(1,570)
- to be settled within 12 months	(759)	(620)
	(1,703)	(2,190)
Deferred tax assets (net)	901	1,137

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**17 DEFERRED TAXATION (CONTINUED)**

The analysis of deferred tax assets and deferred tax liabilities is as follows (continued):

	Note	Group	
		2022 RM'000	2021 RM'000
As at 1 January		<b>1,137</b>	1,080
Acquisition of subsidiary	34	-	(120)
- contract liabilities		-	90
- intangible assets		-	(210)
Distribution of subsidiary	35	-	(704)
- receivables		-	(396)
- intangible assets		-	280
- contract liabilities		-	(30)
- defined benefit plan		-	(62)
- unutilised business losses		-	(454)
- others		-	(42)
(Charged)/credited to profit or loss:		<b>(236)</b>	867
- provisions and accruals		<b>1</b>	69
- property, plant and equipment		<b>149</b>	(826)
- right-of-use assets		<b>366</b>	(1,012)
- contract liabilities		<b>(169)</b>	1,612
- lease liabilities		<b>(353)</b>	981
- unutilised business losses		-	(71)
- defined benefit plan		-	(10)
- receivables		<b>(209)</b>	120
- intangible assets		<b>(21)</b>	(5)
- others		-	9
Credited to other comprehensive income:		-	14
- currency translation differences		-	14
As at 31 December		<b>901</b>	1,137

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 17 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

	Group	
	2022 RM'000	2021 RM'000
Deferred tax assets (before offsetting):		
- provisions and accruals	84	83
- property, plant and equipment	7	23
- contract liabilities	1,801	1,970
- lease liabilities	712	1,065
- receivables	-	209
	2,604	3,350
Offsetting	(1,703)	(2,213)
Deferred tax assets (after offsetting)	901	1,137
Deferred tax liabilities (before offsetting):		
- property, plant and equipment	(771)	(936)
- right-of-use assets	(696)	(1,062)
- intangible assets	(236)	(215)
	(1,703)	(2,213)
Offsetting	1,703	2,213
Deferred tax liabilities (after offsetting)	-	-

## 18 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Non-current</u>					
Deposits		554	554	26	26
<u>Current</u>					
Trade receivables and accrued revenue	(a)	31,121	19,404	-	-
Allowance for impairment					
- trade receivables	28(c)	(1,141)	(1,276)	-	-
Trade receivables - net		29,980	18,128	-	-
Other receivables		128	93	-	24
Deposits		290	223	6	6
Prepayments		8,901	6,717	108	77
		39,299	25,161	114	107

(a) Information about the impairment of trade receivables and the Group's exposure to credit risk is disclosed in Note 28(c).

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**19 AMOUNT DUE FROM/(TO) RELATED PARTIES**

The amount due from/(to) related parties are trade in nature, unsecured, interest free and with credit periods of up to 45 days. The amount is denominated in RM.

**20 CASH AND BANK BALANCES**

Cash and cash equivalents at the end of the financial year comprise the following:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	<b>12,406</b>	17,131	<b>3,395</b>	2,147
Less: Restricted cash	<b>(1,692)</b>	-	<b>(1,692)</b>	-
Cash and cash equivalents	<b>10,714</b>	17,131	<b>1,703</b>	2,147

Restricted cash comprise amounts held in a debt service reserve account associated with the term loan facilities.

The credit quality of bank balances can be assessed by reference to external credit ratings as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Local licensed banks <sup>(1)</sup> :				
- AAA	<b>5,378</b>	8,313	<b>202</b>	374
- AA1	<b>6,986</b>	-	<b>3,193</b>	-
- AA2	-	8,481	-	1,773
- AA3	<b>37</b>	331	-	-
- Unrated	<b>5</b>	6	-	-
	<b>12,406</b>	17,131	<b>3,395</b>	2,147

Note:

<sup>(1)</sup> Source: Ratings provided by RAM Ratings Services Berhad.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 21 PAYABLES AND ACCRUALS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Current</u>				
Trade payables and accruals	<b>8,351</b>	3,141	-	-
Other payables and accruals	<b>10,848</b>	10,388	<b>789</b>	1,373
Deposits payable to customers	<b>2,231</b>	2,197	-	-
Duties and tax payable	<b>2,050</b>	1,667	<b>1</b>	-
Payroll liabilities	<b>2,569</b>	1,827	<b>105</b>	96
Payroll accruals	<b>5,325</b>	2,535	<b>741</b>	593
	<b>31,374</b>	21,755	<b>1,636</b>	2,062

Trade and other payables of the Group and the Company carry credit periods ranging from 0 to 60 days (2021: 0 to 60 days).

## 22 AMOUNT DUE FROM SUBSIDIARIES

The amount due from subsidiaries are unsecured, interest free and are repayable on demand. The amount is denominated in RM.

Reconciliation of amount due from a subsidiary from financing activities:

	Company	
	2022 RM'000	2021 RM'000
At 1 January	-	-
Advances to a subsidiary	<b>15</b>	-
At 31 December	<b>15</b>	-

## 23 BORROWINGS

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Current</u>					
Term loan	(a)	<b>9,972</b>	-	<b>9,972</b>	-
Revolving credit	(b)	-	-	-	-
		<b>9,972</b>	-	<b>9,972</b>	-
<u>Non-current</u>					
Term loan	(a)	<b>139,489</b>	-	<b>139,489</b>	-
Total borrowings		<b>149,461</b>	-	<b>149,461</b>	-

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**23 BORROWINGS (CONTINUED)****(a) Term loan****(i) Term loan facility RM70.0 million**

The Company entered into a RM70.0 million loan facility agreement on 28 March 2022. The term loan was fully drawn down on 29 March 2022 to fund the acquisition of JurisTech and incurred transaction costs of RM0.8 million. The term loan is repayable on a quarterly basis commencing on 31 March 2024 with final maturity on 31 March 2029.

This term loan bears interest at a variable rate of 4.29% as at reporting date, based on a rate of 1.0% above Cost of Funds.

Proceeds from the occurrence of certain mandatory prepayment events which includes 100.0% net dividend received in respect of the BOL pledged shares shall be utilised to repay the total outstanding loan balance.

**(ii) Term loan facility RM104.2 million**

The Company entered into a RM110.0 million supplemental master facilities agreement on 23 August 2022. The Company has drawn down RM92.7 million and RM11.5 million of the term loan in September 2022 and October 2022 respectively to fund the acquisition of RAM and incurred transaction costs of RM1.2 million. The balance undrawn facility amount of RM5.8 million has been cancelled on 1 November 2022. The term loan is repayable on a quarterly basis commencing on 2 December 2022 with final maturity on 31 August 2027.

This term loan bears interest at a variable rate of 4.03% as at reporting date, based on a rate of 1.0% above Cost of Funds.

All proceeds arising from the mandatory prepayment events shall be utilised to repay the total outstanding loan balance.

**(iii) Term loan facility USD22.1 million**

USD22.1 million of the USD term loan facility was drawn down on 28 October 2020 and is repayable in quarterly instalments commencing on 28 January 2021 with final maturity on 28 October 2025.

This term loan bears interest at a variable rate of 2.48% in July 2021, based on rate of 2.0% above Cost of Funds.

Upon the occurrence of certain mandatory prepayment events which includes a change in equity interests of the holding companies in the Company or an initial public offering ("IPO"), the lender has the right to cancel the term loan facility and the total outstanding loan balance will become immediately due and payable. In the event of an IPO, the proceeds derived from the IPO shall be utilised to repay the total outstanding loan balance.

This term loan was early settled on 23 July 2021 utilising the IPO proceeds.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 23 BORROWINGS (CONTINUED)

### (a) Term loan (continued)

#### (iv) Term loan facility RM45.6 million

RM45.6 million of the term loan facility was drawn down on 28 October 2020 and is repayable in quarterly instalments commencing on 28 January 2021 with final maturity on 28 October 2025.

This term loan bears interest at a variable rate of 4.32% in July 2021, based on a rate of 2.0% above Cost of Funds.

Upon the occurrence of certain mandatory prepayment events which includes a change in equity interests of the holding companies in the Company or an IPO, the lender has the right to cancel the term loan facility and the total outstanding loan balance will become immediately due and payable. In the event of an IPO, the proceeds derived from the IPO shall be utilised to repay the total outstanding loan balance.

This term loan was early settled on 23 July 2021 utilising the IPO proceeds.

#### (v) Term loan facility RM32.0 million

The Company entered into a RM32.0 million loan facility agreement on 21 December 2021. 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 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.

This term loan bears interest at a variable rate of 4.32% in July 2021, based on a rate of 2.0% above Cost of Funds.

Upon the occurrence of certain mandatory prepayment events which includes a change in equity interests of the holding companies in the Company or an IPO, the lenders have the right to cancel the term loan facilities and the total outstanding borrowings will become immediately due and payable. In the event of an IPO, the proceeds derived from the IPO shall be utilised to repay the total outstanding borrowings.

This term loan was early settled on 23 July 2021 utilising the IPO proceeds.

### (b) Revolving credit

The Company entered into a revolving credit facility on 22 February 2022 that provides for borrowings of up to a maximum aggregate principal amount of RM50.0 million with a variable rate of 3.74% per annum and is repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**23 BORROWINGS (CONTINUED)**

(b) Revolving credit (continued)

Reconciliation of borrowings from financing activities:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
As at 1 January	-	132,320	-	132,320
Drawdown during the financial year	<b>224,210</b>	32,000	<b>224,210</b>	32,000
Repayment	<b>(73,628)</b>	(170,646)	<b>(73,628)</b>	(170,646)
Transaction costs	<b>(2,528)</b>	(627)	<b>(2,528)</b>	(627)
Interest on borrowings	<b>4,178</b>	5,608	<b>4,178</b>	5,608
Interest paid	<b>(2,771)</b>	(3,092)	<b>(2,771)</b>	(3,092)
Loss on foreign exchange	-	4,437	-	4,437
As at 31 December	<b>149,461</b>	-	<b>149,461</b>	-

Term loan facility of RM70.0 million, RM104.2 million and Revolving credit

In accordance with the facilities agreement, during the tenure of the banking facility, the Company and its subsidiaries were restricted from undertaking any further financing and other forms of indebtedness from any financial institutions without prior written consent of the lenders.

The borrowings were secured against:

(a) Charge over designated accounts

- by way of first party first legal charge over all designated accounts of the Borrower, inclusive of Proceeds Account and Finance Service Reserve Account ("FSRA").

(b) Charge over Associates' shares

- by way of fixed charge by way of Deed of Share Pledge over 57.675% of RAM Shares and assignment of all dividend payments from the Pledged Shares; and
- by way of fixed charge by way of Deed of Share Pledge over 22.65% of BOL Shares and assignment of all dividend payments from Pledged Shares.

(c) Joint, several and irrevocable Corporate Guarantee

- Fresh Corporate Guarantee of up to RM70 million and RM104.2 million by the following companies:
  - CTOS Data Systems Sdn. Bhd.
  - CTOS Business Systems Sdn. Bhd.
  - CTOS IDS Sdn. Bhd.
  - Enfo Sdn. Bhd.
  - CTOS Insights Sdn. Bhd.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 23 BORROWINGS (CONTINUED)

Term loan facility of USD22.1 million, RM45.6 million and RM32.0 million

In accordance with the facilities agreement, the Company and its subsidiaries were restricted from, amongst others:

- (a) disposing or acquiring any assets unless the prior consent of the lenders have been obtained other than those permitted in the facilities agreement.
- (b) incurring or to remain outstanding any financial indebtedness other than existing borrowings or to provide any loans and guarantees other than those permitted in the facilities agreement.
- (c) making any payment and/or cash distribution including dividends, save for the dividend payments made for Inodes to repay its principal and interest under Inodes' financing facility.

The borrowings were secured against:

- (a) Debentures
  - by way of fixed and floating charges over all the assets, properties and undertakings (both movable and immovable, present and future) of the Company. The amount of the Company's assets charged as of 31 December 2020 is RM317.9 million.
- (b) Charge over designated accounts
  - by way of first party first legal charge over all designated accounts of the Borrower, inclusive of Proceeds Account and Debt Service Reserve Account ("DSRA").
- (c) Charge over Associates' shares
  - by way of first party pledge over 20% the BOL Shares acquired and held by the Company; and
  - by way of third party first legal charge by way of Deed of Share Pledge over 26% of Experian Shares.
- (d) Charge over subsidiary's shares
  - by way of first party first legal charge by way of Deed of Share Pledge over 100% of the CTOS Basis share acquired and held by the Company.
- (e) Cross Corporate Guarantee
  - Cross Corporate Guarantee of up to USD22.1 million, RM45.6 million and RM32.0 million by the following companies:
    - i. CTOS Data Systems Sdn. Bhd.
    - ii. CTOS Business Systems Sdn. Bhd.
    - iii. CTOS IDS Systems Sdn. Bhd. (formerly known as Intellidata Solutions Sdn. Bhd.)
    - iv. Enfo Sdn. Bhd.
    - v. CTOS Insights Sdn. Bhd.

## NOTES TO THE FINANCIAL STATEMENTS

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**23 BORROWINGS (CONTINUED)**Contractual terms of borrowings

	Contractual interest rate at reporting date (per annum)	Functional currency/ currency exposure	Total carrying amount	2023	2024	2025-2027
				Maturity profile		
At 31 December 2022	%		RM'000	<1 year RM'000	1-2 years RM'000	2-5 years RM'000
Term loan	1.0% + COF <sup>(1)</sup>	RM	149,461	9,972	62,810	76,679

Note:

<sup>(1)</sup> COF denotes Cost of Fund**24 PROVISION FOR RESTORATION COSTS**

	Group	
	2022 RM'000	2021 RM'000
As at 1 January	612	603
Capitalised in property, plant and equipment	49	-
Accretion expense included in finance costs	17	9
As at 31 December	678	612

# NOTES TO THE FINANCIAL STATEMENTS

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## 25 SHARE CAPITAL

	Number of shares '000	2022 RM'000	Group and Company	
			Number of shares '000	2021 RM'000
Issued and fully paid:				
Ordinary shares:				
At 1 January	2,200,000	<b>412,524</b>	100,000	197,994
Subdivision of shares	-	-	1,900,000	-
Issuance of shares during the year	110,000	<b>173,800</b>	200,000	220,000
Share issuance expenses	-	<b>(2,277)</b>	-	(5,470)
At 31 December	2,310,000	<b>584,047</b>	2,200,000	412,524

On 10 June 2021, the Company had 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 had 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.

On 3 March 2022, the Company undertook a private placement of 110,000,000 new ordinary shares at an issue price of RM1.58 per share with share issuance express of RM2,276,500. Following the allotment of new shares, the Company's total number of share capital has increased to 2,310,000,000 shares.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 26 OTHER RESERVES

	Group	
	2022 RM'000	2021 RM'000
<u>Foreign currency translation reserve</u>		
At 1 January	(6,669)	(145)
Currency translation differences arising from translation of:		
- subsidiary	-	392
- associate	1,458	(6,755)
Reclassification of foreign currency translation reserve to retained earnings (Note 35)	-	(161)
At 31 December	(5,211)	(6,669)
<u>Retirement benefit reserve</u>		
At 1 January	-	(143)
Reclassification of retirement benefit reserve to retained earnings (Note 35)	-	143
At 31 December	-	-
<u>Fair value reserve</u>		
At 1 January	243	243
Other comprehensive (loss)/income:		
- loss on change in value of debt investment designated at FVOCI - net of income tax	(28)	-
- gain on changes in value of equity investments designated at FVOCI - net of income tax	2,454	-
At 31 December	2,669	243
Total other reserves	(2,542)	(6,426)
	Company	
	2022 RM'000	2021 RM'000
<u>Share-based payments reserve</u>		
At 1 January	5,797	5,797
Reclassification of share-based payment reserve to retained earnings	(5,797)	-
At 31 December	-	5,797

The share-based payment reserve arose from share options granted to eligible executives of the subsidiary in the Group pursuant to the ESOS. Terms of the scheme are disclosed in Note 3(n)(iii).

Foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of a subsidiary and an associate whose functional currency differs from the Group's presentation currency.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 27 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Financial assets at amortised cost</u>					
Receivables and deposits (excluding prepayments)	18	30,952	18,998	32	56
Other investments	16	5,048	43,664	5,048	32,664
Amount due from related parties	19	2	1,422	-	-
Amount due from subsidiaries	22	-	-	807	1,050
Cash and bank balances	20	12,406	17,131	3,395	2,147
		48,408	81,215	9,282	35,917
<u>Financial liabilities at amortised cost</u>					
Payables and accruals (excluding statutory liabilities)	21	21,435	15,725	789	1,373
Amount due to related parties	19	1,891	144	-	-
Lease liabilities	12	3,099	4,646	136	206
Contingent consideration		12,157	9,267	12,157	9,267
Borrowings	23	149,461	-	149,461	-
		188,043	29,782	162,543	10,846

## NOTES TO THE FINANCIAL STATEMENTS

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**28 FINANCIAL RISK MANAGEMENT**

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and of the Company's businesses whilst managing its interest rate risk, credit risk, liquidity risk and cash flow risk. The Group and the Company operate within clearly defined guidelines that are approved by the Directors and the Group's and the Company's policy is to not engage in speculative transactions.

**(a) Market risk**

Market risk is the risk that the fair value or future cash flow of the financial instruments that will fluctuate because of changes in market prices. The various components of market risk that the Group and the Company are exposed to are discussed below.

**(i) Foreign exchange risk**

The objectives of the Group's and of the Company's currency risk management policies are to allow the Group and the Company to effectively manage the foreign exchange fluctuation against its functional currency that may arise from future commercial transactions and recognised assets and liabilities. The Group and the Company monitor the movement in foreign currency exchange rates closely to ensure their exposures are minimised.

The currency exposure of financial assets and financial liabilities of the Group and of the Company that are not denominated in the functional currency are set out below:

	Currency Exposure			
	USD RM'000	SGD RM'000	EUR RM'000	Others RM'000
<u>Group</u>				
<u>At 31 December 2022</u>				
Receivables	<b>3,541</b>	<b>291</b>	<b>1,139</b>	-
Cash and bank balances	<b>334</b>	<b>8</b>	*	*
Payables	<b>(141)</b>	<b>(10)</b>	*	-
Net exposure	<b>3,734</b>	<b>289</b>	<b>1,139</b>	*
<u>At 31 December 2021</u>				
Receivables	535	212	638	-
Cash and bank balances	583	214	-	*
Payables	(545)	(8)	*	*
Net exposure	573	418	638	*

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 28 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market risk (continued)

#### (i) Foreign exchange risk (continued)

The currency exposure of financial assets and financial liabilities of the Group and of the Company that are not denominated in the functional currency are set out below (continued):

	Currency Exposure	
	USD RM'000	Others RM'000
<u>Company</u>		
<u>At 31 December 2022</u>		
Cash and bank balances	25	*
<u>At 31 December 2021</u>		
Cash and bank balances	23	*

\* Less than RM1,000

The sensitivity of the Group's and the Company's profit after tax for the financial year and equity to a reasonably possible change in the USD, SGD and EUR exchange rate against the functional currencies, of RM, with all other factors remaining constant and based on the composition of assets and liabilities at the reporting date are set out as below:

	Impact on profit after tax for the financial year ended			
	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>At 31 December</u>				
USD/RM				
- strengthened 10%	373	57	2	2
- weakened 10%	(373)	(57)	(2)	(2)
SGD/RM				
- strengthened 10%	29	42	-	-
- weakened 10%	(29)	(42)	-	-
EUR/RM				
- strengthened 10%	114	64	-	-
- weakened 10%	(114)	(64)	-	-

The impact on profit after tax for the financial year are mainly as a result of foreign currency gain/losses on translating of USD, SGD and EUR denominated receivables, cash and bank balances and payables.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**28 FINANCIAL RISK MANAGEMENT (CONTINUED)**

## (a) Market risk (continued)

## (ii) Interest rate risk

The Group's and the Company's interest rate risk arises from revolving credit and term loan carrying variable interest rates.

The net exposure of financial liabilities of the Group and Company to interest rate risk and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows:

	Weighted average effective interest rate at reporting date	Total carrying amount	Floating interest rate		
			<1 year RM'000	1-2 years RM'000	2-5 years RM'000
	%	RM'000			
<u>Group and Company</u>					
<u>At 31 December 2022</u>					
Term loan	<b>4.29</b>	<b>48,734</b>	-	<b>48,734</b>	-
Term loan	<b>4.03</b>	<b>100,727</b>	<b>9,972</b>	<b>14,076</b>	<b>76,679</b>
		<b>149,461</b>	<b>9,972</b>	<b>62,810</b>	<b>76,679</b>

Interest rate sensitivity

This is mainly attributable to the Group's and the Company's exposure to interest rates on its variable rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

As at 31 December 2022, the sensitivity of the Group's and Company's profit after tax to a reasonably possible change in interest rates with all other factors held constant and based on the composition of liabilities with floating interest rates at the reporting date are as follows:

<b>Group</b>	<b>Impact on profit after tax for the financial year ended RM'000</b>
<u>31 December 2022</u>	
Interest rate	
- increased by 1%	<b>(1,495)</b>
- decreased by 1%	<b>1,495</b>

The impact on profit after tax for the financial year is mainly as a result of interest expenses on floating rate borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 28 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Liquidity risk

The objectives of the Group's and the Company's liquidity risk management policies are to monitor rolling forecasts of the Group's and the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs and availability of funding to cater for growth and expansion. Liquidity risk can be mitigated by forecasting and monitoring cash flow regularly, optimising working capital and managing credit facilities effectively.

The undiscounted contractual cash flow of the financial instruments as at the reporting date are as follows:

	Carrying amount RM'000	Total undiscounted contractual cash flow RM'000	<1 year RM'000	1-2 years RM'000	2-5 years RM'000
<u>31 December 2022</u>					
<u>Group</u>					
Payables and accruals	21,435	21,435	21,435	-	-
Amount due to related parties	1,891	1,891	1,891	-	-
Lease liabilities	3,099	3,221	1,696	1,426	99
Contingent consideration	12,157	12,157	12,157	-	-
Term loan	149,461	165,143	14,465	68,688	81,990
	<b>188,043</b>	<b>203,847</b>	<b>51,644</b>	<b>70,114</b>	<b>82,089</b>
<u>Company</u>					
Payables and accruals	789	789	789	-	-
Lease liabilities	136	141	77	64	-
Contingent consideration	12,157	12,157	12,157	-	-
Term loan	149,461	165,143	14,465	68,688	81,990
	<b>162,543</b>	<b>178,230</b>	<b>27,488</b>	<b>68,752</b>	<b>81,990</b>
<u>31 December 2021</u>					
<u>Group</u>					
Payables and accruals	15,725	15,725	15,725	-	-
Amount due to related parties	144	144	144	-	-
Lease liabilities	4,646	4,920	1,697	1,697	1,526
Contingent consideration	9,267	9,671	-	9,671	-
	<b>29,782</b>	<b>30,460</b>	<b>17,566</b>	<b>11,368</b>	<b>1,526</b>
<u>Company</u>					
Payables and accruals	1,373	1,373	1,373	-	-
Lease liabilities	206	218	77	77	64
Contingent consideration	9,267	9,671	-	9,671	-
	<b>10,846</b>	<b>11,262</b>	<b>1,450</b>	<b>9,748</b>	<b>64</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**28 FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Liquidity risk (continued)**

Cash flows forecasts for the 12 months period after the year end were prepared taking into account the operational requirements, and capital commitments of the Group and the Company. Based on the assessment, there are sufficient cash flows to enable the Group and the Company to meet their liabilities as and when they fall due and to carry out its operations without a significant curtailment of operations. Therefore, the Directors have prepared the financial statements of the Group and the Company on a going concern basis.

The Group and the Company have access to the following undrawn borrowing facilities at the end of the reporting date:

	Group and Company	
	2022 RM'000	2021 RM'000
<u>Floating rate</u>		
Revolving credit	50,000	-

**(c) Credit risk**

The objectives of the Group's and of the Company's credit risk management policies are to manage its exposure to credit risk from deposits, cash and bank balances, receivables and derivative financial instruments. It does not expect any third parties to fail to meet their obligations given the Group's and the Company's policy of selecting creditworthy counterparties. The Group and the Company do not have any derivative financial instruments as at the reporting date.

Trade and other receivables

Credit risks of trade and other receivables are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via limiting the Group's and the Company's dealings with creditworthy business partners and customers. Trade and other receivables are monitored on an ongoing basis via the Group's and the Company's management reporting procedures. For amounts due from subsidiary and related parties, the exposure to bad debts is not significant since the subsidiary and the related parties do not have historical default.

Concentration of credit risk

The Group and the Company have no significant concentration of credit risk as the Group's and the Company's policy limits the concentration of financial exposure to any single counterparty.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 28 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (continued)

#### Impairment of trade receivables

The Group applies the MFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are determined based on 3-year historical ageing profile and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Some of the factors which the Group has identified include Malaysian Consumer Price Index and exchange rate of RM:USD and has adjusted the historical loss rates based on expected changes in such factors.

On that basis, the loss allowances as at 31 December 2022 and 31 December 2021 were determined as follows for trade receivables:

At 31 December 2022	Current to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	121 to 150 days past due	> 150 days past due	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Expected loss rate <sup>(1)</sup>	0.01% - 0.40%	0.01% - 1.84%	0.01% - 6.76%	0.01% - 16.84%	0.01% - 32.2%	0.01% - 100.0%	
Gross carrying amount: - trade receivables	24,295	3,462	2,016	393	229	726	31,121
Less allowance: - trade receivables	(103)	(50)	(121)	(63)	(155)	(649)	(1,141)

Note:

<sup>(1)</sup> The expected loss rate comprises customers with different risk profiles.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 28 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Credit risk (continued)

Impairment of trade receivables (continued)

On that basis, the loss allowances as at 31 December 2022 and 31 December 2021 were determined as follows for trade receivables (continued):

At 31 December 2021	Current to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	121 to 150 days past due	> 150 days past due	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Expected loss rate <sup>(1)</sup>	0.01% - 3.68%	0.01% - 4.13%	0.01% - 9.46%	0.02% - 21.74%	0.05% - 41.06%	0.13% - 99.75%	
Gross carrying amount:							
- trade receivables	17,799	833	116	74	35	547	19,404
Less allowance:							
- trade receivables	(655)	(34)	(11)	(16)	(15)	(545)	(1,276)

Note:

<sup>(1)</sup> The expected loss rate comprises customers with different risk profiles.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 28 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (continued)

#### Impairment of trade receivables (continued)

Movement on the Group's loss allowances for receivables is as follows:

	Group	
	2022 RM'000	2021 RM'000
As at 1 January	<b>1,276</b>	1,338
Charged to statement of profit or loss	<b>298</b>	304
Amount written off	<b>(433)</b>	(409)
Distribution of subsidiary	-	43
As at 31 December	<b>1,141</b>	1,276

#### Deposits, cash and bank balances

For deposits, cash and bank balances and short-term investments, the Group and the Company seek to ensure that cash assets are invested safely and profitably by assessing counterparty risks and allocating placement limits for various creditworthy financial institutions. The Group and the Company consider the risk of material loss in the event of non-performance by the above parties to be unlikely. The Group's and the Company's maximum exposure to credit risk is equal to the carrying value of those financial instruments.

#### Other receivables and deposits

Other receivables and deposits are considered to have low risk of defaults and historically there were minimal instances where contractual cash flow obligations have not been met. The identified impairment loss was immaterial.

### (d) Capital risk management

The Group's and the Company's primary objective of capital risk management is to maintain an optimal capital base to support the businesses and maximise shareholders value. The Directors monitor the debt levels to maintain an optimum debt-to-equity ratio that complies with the debt covenants. The Group manages the capital structure and makes adjustment to it, in light of changes in economic condition including the interest rate movements. To maintain and adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

During the financial year ended 31 December 2022, the Company had entered into borrowing facilities agreements as disclosed in Note 23 and Note 28(b) to the financial statements. The external lenders of the term loan facility of RM70.0 million and RM104.2 million require the Group to maintain financial covenant ratios on its Finance Service Coverage Ratio ("FSCR"), gearing covenant and maintain a positive Tangible Net Worth at all times. These financial covenant ratios have been fully complied with by the Group for the financial year ended 31 December 2022.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**28 FINANCIAL RISK MANAGEMENT (CONTINUED)****(d) Capital risk management (continued)**

The Group's net debt-to-equity ratio as of the reporting date is as follows:

	Note	Group	
		2022 RM'000	2021 RM'000
Total borrowings	23	<b>149,461</b>	-
Cash and cash equivalents (excluding restricted cash)	20	<b>(10,714)</b>	(17,731)
Net debt/(cash)		<b>138,747</b>	(17,731)
Total equity		<b>512,706</b>	307,881
Net debt-to-equity ratio (times)		<b>0.27</b>	*

\* The net-debt-to-equity ratio for the Group is not presented as the Group is in a net cash position.

There were no changes in the Group's approach to capital management during the financial year. Other than the securities on borrowings as disclosed in Note 23 in the financial year ended 31 December 2022, the Group is not subject to any other externally imposed capital requirements.

**(e) Offsetting financial assets and financial liabilities****(i) Financial assets**

There is no offsetting arrangement in 2021 and 2022.

**(ii) Financial liabilities**

There is no offsetting arrangement in 2021 and 2022.

**(f) Fair value estimation**

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

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

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

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

**a. Financial instruments carried at amortised cost**

The carrying amounts of financial assets and liabilities of the Group and the Company at the reporting date approximated their fair values.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 28 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (f) Fair value estimation (continued)

#### b. Financial instruments carried at fair value

The following table represents the assets and liabilities measured at fair value, using the respective valuation techniques at the end of reporting date:

	Group		Company	
	Level 1 RM'000	Level 3 RM'000	Level 1 RM'000	Level 3 RM'000
<u>31 December 2022</u>				
<u>Current asset</u>				
Other investments				
- investment in money market funds	5,048	-	5,048	-
<u>Current liability</u>				
Contingent consideration	-	12,157	-	12,157
<u>31 December 2021</u>				
<u>Non-current asset</u>				
Other investment	-	17,664	-	17,664
<u>Current asset</u>				
Other investments				
- investment in money market funds	26,000	-	15,000	-
<u>Non-current liability</u>				
Contingent consideration	-	9,267	-	9,267

The fair value is calculated based on 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. Net fair value loss of RM2.9 million (2021: net fair value gain of RM0.2 million) was recognised in profit or loss within other (expenses)/income during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**29 RELATED PARTIES**

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant transactions, balances and commitments. The related party transactions described below were carried out on agreed terms with the related parties.

Credisense Limited ("Credisense"), being an entity connected to the immediate holding company, Inodes, is principally engaged in software development. Credisense has been providing services to CDS pursuant to a master software license and service agreement dated 8 June 2018 comprising software, consultancy, training, maintenance and support. Inodes ceased to hold interest in Credisense with effect from 27 October 2022.

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.

Outsource Network Contact Center and Back Office Services Inc. ("ONET") and Equicom Shared Services, Inc., being subsidiaries of a person connected to the Company's former subsidiary, CIBI, provides outsourcing services such as contact center, human capital management and accounting services to CIBI.

	2022 RM'000	2021 RM'000
<u>Significant related parties transactions</u>		
<u>Group</u>		
Purchase of services:		
- software services from JurisTech	1,883	-
- professional services from Credisense	927	941
- outsourcing services from ONET	-	66
Sale of services:		
- advisory and support services to CIBI Holdings	1,808	1,420
<u>Significant inter-company transaction</u>		
<u>Company</u>		
Amount charged to subsidiaries:		
- management fees	3,281	2,448

Inodes, the immediate holding company of the Company bears certain listing expenses arising from the Offer for Sale shares in connection with the IPO exercise undertaken by the Company during the financial year ended 31 December 2021. The total listing expenses incurred by Inodes for the financial year ended 31 December 2021 approximates RM9.5 million.

Dividends from subsidiaries

During the financial year ended 31 December 2022, the dividend income recognised by the Company from investment in subsidiaries amounted to RM89.9 million (2021: RM62.0 million) was received in cash.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 29 RELATED PARTIES (CONTINUED)

### Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director of that entity (both executive and non-executive).

The aggregate amount of emoluments received/receivable by key management personnel including Directors of the Company during the financial year is as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fees	456	451	456	327
Salaries and other short-term employee benefits	5,068	4,680	1,692	1,586
Defined contribution plan	352	336	181	97
	5,876	5,467	2,329	2,010

## 30 DIVIDENDS

	2022	
	Single-tier tax-exempt dividend per share sen	Amount of dividends, single-tier tax-exempt RM'000
Dividends paid in respect of the financial year ended 31 December 2021 <sup>1</sup> :		
- third interim ordinary, paid on 25 February 2022	0.330	7,260
Dividends paid in respect of the financial year ended 31 December 2022 <sup>2</sup> :		
- first interim ordinary, paid on 10 June 2022	0.325	7,507
- second interim ordinary, paid on 13 September 2022	0.590	13,629
- third interim ordinary, paid on 14 December 2022	0.600	13,860
	1.515	34,996
	1.845	42,256

Notes:

<sup>1</sup> Dividend per share is calculated based on 2,200,000,000 ordinary shares.

<sup>2</sup> Dividend per share is calculated based on 2,310,000,000 ordinary shares.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**30 DIVIDENDS (CONTINUED)**

On 31 January 2023, the Company declared a single-tier tax-exempt interim dividend of 0.36 sen per ordinary shares amounting to RM8.32 million in respect of the financial year ended 31 December 2022 which was paid on 15 March 2023.

The financial statements for the financial year ended 31 December 2022 do not reflect these dividends as it was declared subsequent to year end. These dividends will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2023.

	2021	
	Single-tier tax-exempt dividend per share sen	Amount of dividends, single-tier tax-exempt RM'000
Dividends paid in respect of the financial year ended 31 December 2020 <sup>1</sup> :		
- first interim ordinary, paid on 21 January 2021	5.250	5,250
- second interim ordinary, paid on 5 April 2021	9.000	9,000
- third interim ordinary, paid on 22 June 2021	8.000	8,000
	22.250	22,250
Dividends paid in respect of the financial year ended 31 December 2021 <sup>2</sup> :		
- first interim ordinary, paid on 3 September 2021	0.533	11,726
- second interim ordinary, paid on 10 December 2021	0.320	7,040
	0.853	18,766
	23.103	41,016

## Notes:

<sup>1</sup> Dividend per share is calculated based on 100,000,000 ordinary shares.

<sup>2</sup> Dividend per share is calculated based on 2,200,000,000 ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 31 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Capital commitments

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

	2022 RM'000	2021 RM'000
Contracted:		
- property, plant and equipment	776	319
- intangible assets	2,011	1,240
	<b>2,787</b>	1,559

### (b) Contingent liabilities

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 legal cases.

- (i) In January 2020, CDS, a wholly owned subsidiary of the Company was served a Writ 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 (the "Act") and has conducted its business pursuant to and in compliance of the Act. The Court has fixed the matter for Full Trial on 11 and 12 May 2023.
- (ii) In February 2022, CDS was served a Writ 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.
- (iii) 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 Central Credit Reference Information System ("CCRIS") database. The Full Trial was duly conducted and completed. The Court has fixed matter for the delivery of Decision on 28 April 2023.
- (iv) In October 2022, CDS was served with a Writ by a Plaintiff claiming negligence in CDS' credit report which had contained the Plaintiff's bankruptcy proceeding that was annulled by the Court. The Plaintiff seeks damages, a public apology and an order to restrain CDS from making and/or publishing the information. CDS maintained that it has the right to publish the bankruptcy proceeding and the status update on the annulment in the credit report within the timeframe as allowed under the Act. The Court has fixed the matter for Hearing of the Plaintiff's application to amend its Statement of Claim on 16 May 2023.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**32 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.

	Group	
	2022	2021
Profit/(loss) attributable to the owners of the Company (RM'000)		
- Continuing operations	<b>71,718</b>	43,705
- Discontinued operations	-	(583)
	<b>71,718</b>	43,122
Weighted average number of ordinary shares ('000)	<b>2,200,000</b>	2,000,000
Adjusted for increase in number of shares on 19 July 2021 ('000)	-	90,959
Adjusted for increase in number of shares on 3 March 2022 ('000)	<b>91,315</b>	-
	<b>2,291,315</b>	2,090,959
Basic/diluted earnings per ordinary share (sen)		
- Continuing operations	<b>3.1</b>	2.1
- Discontinued operations	-	-
	<b>3.1</b>	2.1

**33 OPERATING SEGMENTS**

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 CTOS Basis to international customers.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 33 OPERATING SEGMENTS (CONTINUED)

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 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 5. 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.

### 33 OPERATING SEGMENT (CONTINUED)

### Business segments (continued)

With the distribution of CIBI to the Company's shareholders with effect from 15 June 2021, the CODM focused on review of continuing operations only. A reconciliation of the segment revenue and segment profit for continuing operations only are set out below:

	2022				2021			
	Malaysia RM'000	International RM'000	Elimination RM'000	Total RM'000	Malaysia RM'000	International RM'000	Elimination RM'000	Total RM'000
<b>CONTINUING OPERATIONS</b>								
Revenue								
Sales to external customers	181,461	13,320	-	194,781	145,906	7,260	-	153,166
Inter-segment sales	3,279	546	(3,825)	-	274	244	(518)	-
<b>Total revenue</b>	<b>184,740</b>	<b>13,866</b>	<b>(3,825)</b>	<b>194,781</b>	<b>146,180</b>	<b>7,504</b>	<b>(518)</b>	<b>153,166</b>
<b>Gross profit</b>	<b>153,488</b>	<b>11,139</b>	<b>-</b>	<b>164,627</b>	<b>127,700</b>	<b>6,276</b>	<b>-</b>	<b>133,976</b>
<b>Segment profit</b>	<b>64,883</b>	<b>8,524</b>	<b>-</b>	<b>73,407</b>	<b>58,986</b>	<b>4,474</b>	<b>-</b>	<b>63,460</b>
Depreciation and amortisation	(8,234)	(256)	-	(8,490)	(7,938)	(186)	-	(8,124)
Finance costs	(4,345)	-	-	(4,345)	(5,679)	-	-	(5,679)
Dividend income	1,346	-	-	1,346	-	-	-	-
Interest income	70	38	-	108	124	30	-	154
Distribution income from money market funds	61	-	-	61	258	-	-	258
Fair value gain on other investments	303	47	-	350	-	-	-	-
Share of profits of associates	15,810	7,464	-	23,799	1,606	5,611	-	7,217
Realised and unrealised (losses)/ gains on foreign exchange - net	(90)	60	-	(30)	(4,394)	151	-	(4,243)
<b>Profit before taxation</b>	<b>69,804</b>	<b>15,877</b>	<b>-</b>	<b>85,681</b>	<b>42,963</b>	<b>10,080</b>	<b>-</b>	<b>53,043</b>
Tax expense	(11,826)	(2,137)	-	(13,963)	(8,250)	(1,088)	-	(9,338)
<b>Profit from continuing operations</b>	<b>57,978</b>	<b>13,740</b>	<b>-</b>	<b>71,718</b>	<b>34,713</b>	<b>8,992</b>	<b>-</b>	<b>43,705</b>
<b>DISCONTINUED OPERATIONS</b>								
Loss from discontinued operations				-				(1,134)
<b>Profit for the financial year</b>				<b>71,718</b>				<b>42,571</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 33 OPERATING SEGMENT (CONTINUED)

Business segments (continued)

With the distribution of CIBI to the Company's shareholders with effect from 15 June 2021, the CODM focused on review of continuing operations only. A reconciliation of the segment revenue and segment profit for continuing operations only are set out below: (continued)

	2022				2021			
	Malaysia RM'000	International RM'000	Elimination RM'000	Total RM'000	Malaysia RM'000	International RM'000	Elimination RM'000	Total RM'000
Assets	538,726	196,513	-	735,239	202,974	157,609	-	360,583
<b>Other disclosures</b>								
Non-cash item * (other than depreciation and amortisation)	282	35	-	317	4,681	(97)	-	4,584
Capital expenditure arising from:								
- acquisition of subsidiary	-	-	-	-	-	37,613	-	37,613
- property, plant and equipment, ROU assets and intangible assets additions	10,294	1,955	-	12,249	11,589	37	-	11,626

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**33 OPERATING SEGMENTS (CONTINUED)**Geographical segmentsNon-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.

	2022 RM'000	2021 RM'000
Malaysia	531,828	175,364
Thailand	151,256	113,704
	<b>676,925</b>	289,068

Borrowings and lease liabilities

	2022 RM'000	2021 RM'000
Malaysia	152,560	4,646

Information about a major customer

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

**34 BUSINESS COMBINATION**Acquisition of subsidiary

On 8 December 2020, the Company entered into a Sale and Purchase Agreement ("SPA") to acquire the entire equity interest in CTOS Basis comprising 1,000,000 ordinary shares for an upfront purchase consideration of RM32.0 million and an earn-out payment that is computed based on the revenue target of CTOS Basis. The earn-out payment is computed based on two times the total revenue of CTOS Basis for the financial year ended 30 June 2020, adjusted in proportion to the achievement of the revenue target for the year of January 2022 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 and the Company have estimated a contingent consideration of RM9.4 million, by applying a discount rate of 3.8% and assumed a probability-adjusted revenue of CTOS 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 34 BUSINESS COMBINATION (CONTINUED)

Acquisition of subsidiary (continued)

Details of the net assets acquired, goodwill and cash flows as of 4 January 2021 arising from business combination are as follows:

	Book value RM'000	Fair value RM'000
Intangible assets	-	873
Right-of-use assets	5	5
Deferred tax assets	90	90
Trade debtors	846	846
Other receivables, deposits and prepayments	62	62
Cash and cash equivalents	3,982	3,982
Trade payables	(154)	(154)
Other payables and accruals	(54)	(54)
Contract liabilities	(376)	(376)
Lease liabilities	(6)	(6)
Taxation	(349)	(349)
Deferred tax liabilities	-	(210)
Net identifiable assets acquired	4,046	4,709
Goodwill arising on acquisition		36,735
Less: Contingent consideration		(9,444)
Cash consideration		32,000
Less: Cash and cash equivalents of subsidiary acquired		(3,982)
Net cash outflow of the Group on acquisition of subsidiary		28,018

The goodwill represents the synergies to be realised in the Group's credit reporting business moving forward. The acquisition of CTOS 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.

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 CTOS Basis included in the consolidated statement of comprehensive income for the year from the date of acquisition of 4 January 2021 to 31 December 2021 amounted to RM7.5 million and RM3.5 million, respectively and would not have been materially different if the acquisition had occurred on 1 January 2021.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**35 DISTRIBUTIONS OF SUBSIDIARIES AND DISCONTINUED OPERATIONS**

On 15 June 2021, the Company completed the distribution amounting to RM15.1 million by way of dividend-in-specie of 4,900,001 ordinary shares in CIBI Holdings held by the Company, representing the entire equity interest in CIBI Holdings, to the existing shareholders of the Company ("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:

	Note	2021 RM'000
Property, plant and equipment		560
Right-of-use assets	12	642
Intangible assets	13	9,969
Receivables, deposits and prepayments		7,433
Deferred tax assets	17	704
Cash and cash equivalents		3,147
Payables and accruals		(3,794)
Contract liabilities	5	(163)
Lease liabilities	12	(736)
Provision for defined benefit plan		(22)
Total net assets		17,740
Non-controlling interest	(i)	(4,587)
Net assets of subsidiaries		13,153
Other reserves transferred to retained earnings		(18)
- foreign currency translation reserve	26	(161)
- retirement benefit reserve	26	143
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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 35 DISTRIBUTIONS OF SUBSIDIARIES AND DISCONTINUED OPERATIONS (CONTINUED)

Details of the financial performance for the financial period ended 15 June 2021 are as follows:

	1.1.2021- 15.6.2021 RM'000
Revenue	7,732
Cost of sales	(2,112)
Gross profit	5,620
Other expenses	(26)
Selling and marketing expenses	(2,978)
Administrative expenses	(3,561)
Finance income	2
Finance costs	(27)
Loss before tax	(970)
Tax expense	(164)
Loss from discontinued operations	
- Owners of the Company	(583)
- Non-controlling interests	(551)
	(1,134)
Other comprehensive income from discontinued operations	
- Owners of the Company	392
- Non-controlling interests	171
	563
Total comprehensive loss from discontinued operations	
- Owners of the Company	(191)
- Non-controlling interests (Note (ii))	(380)
	(571)

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

**35 DISTRIBUTIONS OF SUBSIDIARIES AND DISCONTINUED OPERATIONS (CONTINUED)**

Summarised statement of cash flows for the financial period ended 15 June 2021 are as follows:

	<b>1.1.2021- 15.6.2021 RM'000</b>
Cash flows from operating activities	(2,252)
Cash flows from investing activities	(178)
Cash flows from financing activities	(209)
Effects of exchange rate changes	109
Net decrease in cash and cash equivalents	(2,530)

The financial information (before intercompany eliminations) of CIBI that has material non-controlling interest ("NCI") to the Group is as follows:

- (i) Summarised statement of financial position as at 15 June 2021:

	<b>As at 15.6.2021 RM'000</b>
NCI percentage	49%
Non-current assets	4,361
Current assets	9,666
Non-current liabilities	(225)
Current liabilities	(4,442)
Net assets	9,360
Net assets attributable to NCI	4,587

- (ii) Summarised statement of comprehensive income for the financial period ended 15 June 2021:

	<b>1.1.2021- 15.6.2021 RM'000</b>
Revenue	7,732
Loss for the financial period	(1,124)
Other comprehensive expense	349
Total comprehensive loss	(775)
Loss allocated to NCI	(380)

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 35 DISTRIBUTIONS OF SUBSIDIARIES AND DISCONTINUED OPERATIONS (CONTINUED)

The financial information (before intercompany eliminations) of CIBI that has material non-controlling interest ("NCI") to the Group is as follows (continued):

(iii) Summarised statement of cash flows for the financial period ended 15 June 2021:

	1.1.2021- 15.6.2021 RM'000
Cash flows from operating activities	(2,233)
Cash flows from investing activities	(178)
Cash flows from financing activities	(209)
Effects of exchange rate changes	109
Net decrease in cash and cash equivalents	(2,511)

The non-controlling interest was derecognised following the distribution of the immediate holding company of CIBI as dividend-in-specie on 15 June 2021.

## 36 SUBSEQUENT EVENTS

On 31 January 2023, the Company declared a fourth interim single-tier tax-exempt dividend of 0.36 sen per ordinary shares amounting to RM8.32 million in respect of the financial year ended 31 December 2022 which was paid on 15 March 2023.

The financial statements for the financial year ended 31 December 2022 do not reflect these dividends. Upon declaration, the cash dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2023.

## 37 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 April 2023.

## STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tan Sri Izzuddin bin Dali and Erick Hamburger Barraza, two of the Directors of CTOS Digital Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 100 to 192 are drawn up so as to give a true and fair view of the Group and of the Company as at 31 December 2022 and financial performance of the Group and of the Company for the financial year ended 31 December 2022 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed by the Board in accordance with a resolution of the Directors dated 17 April 2023.

TAN SRI IZZUDDIN BIN DALI  
DIRECTOR

ERICK HAMBURGER BARRAZA  
DIRECTOR

Kuala Lumpur

## STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Erick Hamburger Barraza, the Director primarily responsible for the financial management of CTOS Digital Berhad, do solemnly and sincerely declare that the financial statements set out on pages 100 to 192 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

ERICK HAMBURGER BARRAZA

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur before me, on 17 April 2023.

Before me,

COMMISSIONER FOR OATHS

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CTOS DIGITAL BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of CTOS Digital Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 100 to 192.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence and other ethical responsibilities*

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CTOS DIGITAL BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group

Key audit matters	How our audit addressed the key audit matters
<p><b>Assessment on carrying value of goodwill</b></p> <p><i>Refer to Note 3(e) - Summary of significant accounting policies: Intangible assets and Note 13 - Intangible assets</i></p> <p>As at 31 December 2022, the carrying values of the Group's goodwill allocated to the Malaysian and International operations cash generating units ("CGUs") were RM37.9 million and RM36.7 million respectively. The Group is required to test goodwill for impairment annually based on the requirements of MFRS 136 "Impairment of Assets".</p> <p>We focused on this area as the estimation of the recoverable amount requires significant assumptions and judgements on the future cash flows. Key assumptions include revenue growth rate, earnings before interest, taxes, depreciation and amortisation ("EBITDA") margin, terminal growth rate and discount rate.</p> <p>Based on the annual impairment test performed, the Directors concluded that no impairment is required. The key assumptions and sensitivities are disclosed in Note 13 to the financial statements.</p>	<p>We performed the following audit procedures on the value-in-use ("VIU") calculations:</p> <ul style="list-style-type: none"> <li>Assessed the appropriateness of the CGUs to which goodwill is allocated in accordance with MFRS 136;</li> <li>Checked the mathematical accuracy of the five-year VIU cash flows and agreed the cash flows to the financial budget for 2023 approved by the Directors and projections for the next four years;</li> <li>Discussed with management on the key assumptions used in the five-year VIU cash flows which include the revenue growth rate, EBITDA margin, discount rate and terminal growth rate;</li> <li>Assessed the reliability of management's estimates by comparing the historical forecast for 2022 to actual results;</li> <li>Compared the revenue growth rates and EBITDA margins in the projection periods to historical results and understand management's forecasts of revenue and cost components to derive the revenue growth and EBITDA margin;</li> <li>Checked the reasonableness of the discount rate and terminal growth rate with the assistance of our valuation experts by benchmarking to entities with similar risk profiles and market information; and</li> <li>Checked the sensitivity analysis performed by management on the discount rate and revenue growth rate.</li> </ul> <p>Based on the procedures performed above, we did not find any material exceptions to the Directors' conclusion that the goodwill is not impaired as at 31 December 2022.</p>

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CTOS DIGITAL BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Group (continued)

Key audit matters	How our audit addressed the key audit matters
<p><b>Acquisition of additional equity interest in RAM Holdings Berhad</b></p> <p><i>Refer to Note 3(a)(iv) – Summary of significant accounting policies: Basis of consolidation: Associates and Note 15 – Investments in associates</i></p> <p>In the previous financial year, the Group's investment in RAM was accounted for as an investment in financial instrument measured at fair value through other comprehensive income ("FVOCI") in accordance with MFRS 9 "Financial Instruments". During the financial year, the Group increased its stake in RAM and the investment in RAM is classified as an associate with effect from 2 September 2022 as disclosed in Note 15 to the financial statements.</p> <p>As at 31 December 2022, the Group holds 57.675% equity interest in RAM. Notwithstanding the Group's effective shareholding of more than 50% in RAM, the Group does not have control over RAM and the ability to direct the relevant activities of RAM. The assessment of classification of RAM is included in Note 15(a) to the financial statements. The Group has therefore accounted for this investment as an associate in accordance with MFRS 128 "Investments in associates and joint ventures".</p> <p>As at 31 December 2022, the carrying value of the Group's investment in RAM was RM159.2 million. A provisional purchase price allocation ("PPA") was performed by management resulting in a goodwill of RM27.3 million, which was included in the carrying value of the investment of associate.</p> <p>We focused on this area due to the significant management judgement involved in assessing whether the Group has control over RAM in accordance with MFRS 10 "Consolidated Financial Statements".</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Read the signed Share Purchase Agreement ("SPA") with respective parties for the acquisitions of additional equity interests in RAM;</li> <li>• Reviewed management's accounting treatment for the acquisition of additional equity interest of RAM and the classification of the investment as an associate in accordance with the relevant accounting standards;</li> <li>• Evaluated management's assessment of the share of results using the equity method of accounting; and</li> <li>• Reviewed the adequacy of disclosures in the financial statements.</li> </ul> <p>Based on the procedures performed above, we did not find any material exceptions to the Director's assessment on the accounting of the Group's investment in RAM as an investment in associate.</p>

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CTOS DIGITAL BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

## Key audit matters (continued)

## Group (continued)

Key audit matters	How our audit addressed the key audit matters
<p><b>Acquisition of equity interest in Juris Technologies Sdn. Bhd.</b></p> <p><i>Refer to Note 3(a)(iv) – Summary of significant accounting policies: Basis of consolidation: Associates and Note 15 – Investments in associates</i></p> <p>On 4 March 2022, the Company completed the acquisition of 490,000 ordinary shares in Juris Technologies Sdn. Bhd. ("JurisTech"), representing 49% of the total issued and paid up share capital for JurisTech, for a total cash consideration of RM205.8 million.</p> <p>Upon completion of the acquisition, the investment in JurisTech is accounted for as an investment in associate. Goodwill relating to the acquisition of JurisTech of RM188.9 million was included in the carrying value of the investment in JurisTech. As at 31 December 2022, the carrying value of the Group's investment in JurisTech was RM209.9 million.</p> <p>We focused on this area due to the quantitative impact of the acquisition on the consolidated financial statements and that the PPA exercise, which involves the fair valuation of the consideration transferred, the identification of the acquired assets and liabilities and their respective fair values requires the use of significant management judgement and estimates.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Read the Shareholders' Agreement for the acquisition of JurisTech and assessed management's accounting treatment for the acquisition of JurisTech in accordance with MFRS 128 "Investments in associates and joint ventures";</li> <li>• Reviewed the PPA assessment performed by management with the assistance of our valuation experts, including the appropriateness of the fair value of the consideration transferred and the identifiable assets acquired and liabilities assumed and the goodwill recognised;</li> <li>• Evaluated management's assessment of the share of results using the equity method of accounting including alignment to Group accounting policies; and</li> <li>• Reviewed the adequacy of disclosures in the financial statements.</li> </ul> <p>Based on the procedures performed above, we did not find any material exceptions to the Director's assessment on the accounting of the acquisition of JurisTech as an investment in associate.</p>
<p><b>Assessment of funding requirements and ability to meet short term obligations</b></p> <p><i>Refer to Note 28(b) – Financial risk management: Liquidity risk</i></p> <p>As at 31 December 2022, the Group and the Company were in a net current liabilities position of RM24.0 million and RM14.5 million respectively which was mainly contributed by the Group and the Company's tax payable, contingent consideration and borrowings as at 31 December 2022.</p> <p>Cash flow forecasts for the 12 months period after the year end were prepared taking into account the operational requirements and capital commitments of the Group and the Company. Based on the assessment, there are sufficient cash flows to enable the Group and the Company to meet their funding requirements. As at 31 December 2022, the Group and the Company have undrawn borrowing facilities amounting to RM50.0 million.</p> <p>We focused on this area due to the inherent uncertainties and the judgement taken by management in forecasting future cash flows and determining the availability of funding to fund the operations of the Group and the Company for the next 12 months from the date of the financial statements.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Checked management's cash flow forecasts for the Group and the Company to the annual budget approved by the Directors and extended up to 12 months from the date of the financial statements, which includes operating, investing and financing cash flows;</li> <li>• Discussed with management on key assumptions used in the cash flow forecasts including expected revenue growth rates, operating expenditures and capital expenditures, cash collection trends, payment profiles and significant transactions that may occur in developing the cash flow forecasts for the Group and the Company;</li> <li>• Checked the borrowing repayment terms of the Group against the loan agreements;</li> <li>• Checked the extent of undrawn facilities available to the Group and the Company; and</li> <li>• Reviewed management's assessment of compliance with debt covenants.</li> </ul> <p>Based on the procedures performed above, we did not find any material exceptions to the Directors' assessment that the Group and the Company will be able to meet its short term obligations.</p>

We have determined that there are no key audit matters to report for the Company.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CTOS DIGITAL BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement of Risk Management and Internal Control, and other sections of the 2022 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CTOS DIGITAL BERHAD

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CTOS DIGITAL BERHAD

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
17 April 2023

PAULINE HO  
02684/11/2023 J  
Chartered Accountant

# ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2023

## STATISTICS OF ORDINARY SHAREHOLDINGS

Class of Shares	:	Ordinary Shares
Total Number of Issued Shares	:	2,310,000,000
Voting Rights	:	One vote for each ordinary share held

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 – 99	40	0.25	680	0.00
100 – 1,000	3,788	23.76	2,631,380	0.11
1,001 – 10,000	8,725	54.72	40,146,608	1.74
10,001 – 100,000	2,678	16.80	84,203,373	3.65
100,001 – 115,499,999 (*)	711	4.46	1,927,017,959	83.42
115,500,000 and above (**)	1	0.01	256,000,000	11.08
<b>Total</b>	<b>15,943</b>	<b>100.00</b>	<b>2,310,000,000</b>	<b>100.00</b>

Notes:

\* less than 5% of issued shares

\*\* 5% and above of issued shares

## SUBSTANTIAL SHAREHOLDERS

(As per Register of Substantial Shareholders)

Name of Shareholders	Direct		Indirect	
	No. of Shares held	%	No. of Shares held	%
Inodes Limited	339,034,800	14.68	-	-
Creador II, LLC	-	-	339,034,800 <sup>1</sup>	14.68
Employees Provident Fund Board	268,428,700	11.62	-	-
Abrdn plc	-	-	124,994,900 <sup>2</sup>	5.41
Abrdn Holdings Limited (formerly known as Aberdeen Asset Management PLC)	-	-	124,994,900 <sup>3</sup>	5.41
Abrdn Malaysia Sdn Bhd	-	-	123,276,300 <sup>4</sup>	5.34

Notes:

<sup>1</sup> Deemed interest through shares held by Inodes Limited pursuant to Section 8(4) of the Companies Act 2016.<sup>2</sup> Deemed interest through shares held by the registered holder who is a custodian appointed by one or more funds managed by one or more subsidiaries of ABRDN PLC pursuant to Section 8(4)(c) of the Companies Act 2016.<sup>3</sup> Deemed interest through shares held by the registered holder who is a custodian appointed by one or more funds managed by one or more subsidiaries of ABRDN Holdings Limited (formerly known as Aberdeen Asset Management PLC) pursuant to Section 8(4)(c) of the Companies Act 2016.<sup>4</sup> Deemed interest through shares held by the registered holder which is a custodian appointed by one or more funds managed by ABRDN Malaysia Sdn Bhd.

# ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2023 (CONTINUED)

## DIRECTORS' SHAREHOLDINGS

(As per Register of Directors' Shareholdings)

Name of Shareholders	Direct		Indirect	
	No. of Shares held	%	No. of Shares held	%
Tan Sri Izzuddin Bin Dali	130,000	0.006	-	-
Dato' Noorazman bin Abd Aziz	200,000	0.009	-	-
Nirmala A/P Doraisamy	-	-	-	-
Lynette Yeow Su-Yin	300,000	0.013	-	-
Loh Kok Leong	300,000	0.013	-	-
Su Puay Leng	300,000	0.013	-	-
Erick Hamburger Barraza	150,000	0.006	-	-
Wong Pau Min (Alternate Director to Loh Kok Leong)	500,000	0.022	-	-

## LIST OF TOP 30 HOLDERS

No.	Name	Holdings	%
1	Amsec Nominees (Asing) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad For Inodes Limited	256,000,000	11.08
2	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	103,237,200	4.47
3	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Chung Tze Keong (PB)	72,683,700	3.15
4	CIMB Group Nominees (Asing) Sdn Bhd Creador II, LLC For Inodes Limited	67,611,800	2.93
5	Maybank Investment Bank Berhad IVT (13)	63,720,000	2.76
6	Amanahraya Trustees Berhad Amanah Saham Bumiputera	58,999,996	2.55
7	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	51,039,400	2.21
8	Permodalan Nasional Berhad	39,439,700	1.71
9	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN For AIA Bhd	38,471,900	1.66
10	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	35,255,700	1.53
11	Cartaban Nominees (Tempatan) Sdn Bhd PBTB For Takafulink Dana Ekuiti	31,892,700	1.38
12	HSBC Nominees (Asing) Sdn Bhd HSBC BK PLC for EAM Long-only Emerging Markets Master Fund Limited	29,388,200	1.27
13	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	28,800,000	1.25
14	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for Bank of Singapore Limited (Local)	27,717,700	1.20
15	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aham Am)	26,695,300	1.16

## ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2023 (CONTINUED)

No.	Name	Holdings	%
16	Cimsec Nominees (Tempatan) Sdn Bhd CIMB For Chung Tze Wen (PB)	25,990,300	1.12
17	Citigroup Nominees (Tempatan) Sdn Bhd Urusharta Jamaah Sdn Bhd (2)	25,800,000	1.12
18	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (EDP 2)	22,860,300	0.99
19	Hong Leong Assurance Berhad As Beneficial Owner (Life Par)	20,442,000	0.88
20	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund W4B3 For Wasatch Emerging Markets Small Cap Fund	18,710,100	0.81
21	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	18,350,000	0.79
22	HSBC Nominees (Asing) Sdn Bhd JPMSE LUX For JPMorgan Funds	18,240,300	0.79
23	Cartaban Nominees (Asing) Sdn Bhd The Bank of New York Mellon For Commonwealth of Pennsylvania public School Employees' Retirement System	17,695,000	0.77
24	JCL Credit Leasing Sdn Bhd	16,500,000	0.71
25	HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Vanguard Emerging Markets Stock Index Fund	16,057,700	0.70
26	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberislamic)	15,108,900	0.65
27	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Principal Dali Equity Growth Fund (UT-CIMB-Dali) (419455)	15,029,400	0.65
28	Maybank Securities Nominees (Asing) Sdn Bhd Maybank Investment Bank Berhad for Inodes Limited	15,000,000	0.65
29	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for JPMorgan ASEAN Fund (BK EastAsia TST)	14,851,900	0.64
30	Lembaga Tabung Angkatan Tentera	14,758,300	0.64
<b>TOTAL</b>		<b>1,206,347,496</b>	<b>52.22</b>

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 2023 Annual General Meeting of CTOS Digital Berhad ("CTOS Digital" or the "Company") ("AGM") will be conducted on a fully virtual manner through live streaming and online remote meeting platform of TIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd via its website at <https://tiah.online> or <https://tiah.com.my> (Domain registration number with MYNIC: D1A282781) on **Friday, 26 May 2023** at **9.30 a.m.** to transact the following businesses:-

## AGENDA

### Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note 1)
2. To re-elect Lynette Yeow Su-Yin who retires pursuant to Clause 76(3) of the Company's Constitution. (Resolution 1)
3. To re-elect Erick Hamburger Barraza who retires pursuant to Clause 78 of the Company's Constitution. (Resolution 2)
4. To approve the payment of Directors' fees for an amount not exceeding RM535,000 from 27 May 2023 until the next AGM of the Company. (Resolution 3)
5. To approve the payment of Directors' benefits for an amount not exceeding RM15,000 from 27 May 2023 until the next AGM of the Company. (Resolution 4)
6. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 5)

### Special Business

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolution of the Company:-

7. **ORDINARY RESOLUTION**  
**PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK** (Resolution 6)

"THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- (i) the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and

## NOTICE OF ANNUAL GENERAL MEETING

- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("Proposed Share Buy-Back")

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

- (i) To cancel all or part of the Purchased Shares;
- (ii) To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
- (iii) To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
- (iv) To resell all or part of the treasury shares;
- (v) To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;
- (vi) To transfer all or part of the treasury shares as purchase consideration;
- (vii) To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or
- (viii) To deal with the treasury shares in any other manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

## NOTICE OF ANNUAL GENERAL MEETING

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities.”

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board

**JOANNE TOH JOO ANN [LS 0008574]**

**SSM PC NO.: 202008001119**

Company Secretary  
Kuala Lumpur

**SAW HUIYING [MAICSA 7065214]**

**SSM PC NO.: 202108000465**

Company Secretary  
Kuala Lumpur

Dated: 26 April 2023

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:

### 1. IMPORTANT NOTICE

The 2023 Annual General Meeting ("AGM") will be conducted on a fully virtual manner through live streaming and online remote meeting platform of TIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") via its website at <https://tiah.online> or <https://tiah.com.my> (Domain registration number with MYNIC: D1A282781).

Shareholders are strongly advised to participate and vote remotely at the AGM through live streaming and online remote voting using the Remote Participation and Voting facilities provided by the Company's Share Registrar, Tricor.

**Please read these Notes carefully and follow the Procedures in the Administrative Guide for the AGM in order to participate remotely**

2. For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 19 May 2023. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.
3. A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
4. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
5. Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt

authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

7. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
8. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned general meeting at which the person named in the appointment proposes to vote:

#### (i) In hard copy form

The original Proxy Form and the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of that power or authority shall be deposited at the office of Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

#### (ii) Electronically via TIH Online

The Proxy Form can be electronically lodged with Tricor via TIH Online at <https://tiah.online>. Please follow the procedures set out in the Administrative Guide.

9. For a corporate member who has appointed an authorised representative, please deposit the **original** certificate of appointment of corporate representative with Tricor at the addresses stated in Note 8(i) above, before the time appointed for holding this general meeting or adjourned meeting.
10. Last date and time for lodging the Proxy Form is Wednesday, 24 May 2023 at 9.30 a.m.
11. Shareholders are advised to check the Company's website and announcements from time to time for any changes to the administration of the 2023 AGM.

# NOTICE OF ANNUAL GENERAL MEETING

## **EXPLANATORY NOTES ON ORDINARY BUSINESS**

### **1. Agenda item No. 1 - Audited Financial Statements for the Financial Year Ended 31 December 2022**

The Audited Financial Statements is meant for discussion only as an approval from shareholders is not required pursuant to the provision of Section 340(1) of the Companies Act, 2016. Hence, this item on the Agenda is **not put forward for voting** by shareholders of the Company.

### **2. Resolutions 1 and 2 - Re-election of Directors**

Please refer to the Statement Accompanying the Notice of AGM for information.

### **3. Resolutions 3 and 4 - Payment of Directors' Fees and Benefits**

Pursuant to Section 230(1) of the Companies Act, 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The Proposed Resolution 3 is to facilitate the payment of Directors' fees calculated based on the current board size for the period from 27 May 2023 up to the next Annual General Meeting. In the event the Directors fees proposed are insufficient (due to enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

The Proposed Resolution 4 for the Directors' Benefits are meeting allowances for the Board Investment Committee ("BIC"). Meeting allowances are calculated based on the estimation of six meetings to be held during the period from 27 May 2023 up to the next Annual General Meeting. In the event the proposed amount is insufficient (e.g., due to more meetings), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

### **4. Resolution 5 - Re-appointment of Auditors**

The Board, through the Audit and Risk Committee ("ARC") has considered the re-appointment of PricewaterhouseCoopers PLT ("PwC") as the Auditors of the Company. The factors considered by the ARC in making the recommendation to the Board to table the re-appointment of PwC at the 2023 AGM are disclosed in the Corporate Governance Overview Statement of this Annual Report.

## **EXPLANATORY NOTES ON SPECIAL BUSINESS**

### **5. Resolution 6 - Proposed Renewal of Authority for Share Buy-Back**

The proposed Resolution 6, if passed, will empower the Company to purchase up to ten per centum (10%) of the issued share capital of the Company through Bursa Malaysia Securities Berhad.

For further information, please refer to the Statement to Shareholders dated 26 April 2023.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of The Main Market Listing Requirements of Bursa Malaysia Securities Berhad

## **Election/Appointment as Directors**

There are no individuals standing for election/appointment as Directors at the 2023 Annual General Meeting ("AGM").

Lynette Yeow Su-Yin and Erick Hamburger Barraza are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 2023 AGM. Their profiles are set out on pages 23 and 26 of the 2022 Annual Report.

The Board has through the Nomination and Remuneration Committee ("NRC"), considered the assessment of Lynette Yeow Su-Yin and Erick Hamburger Barraza that was conducted in accordance with the Director Assessment Framework and agreed that they met the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirements of Bursa Securities on character, experience, integrity, competence and time to effectively discharge their roles as Directors. Both Directors have also met the relevant requirements under the fit and proper assessment and confirmed that they do not have any conflict of interest or potential conflict of interest, including interest in any business that is in competition with the Group. The NRC and the Board had also undertaken an annual assessment on the independence of Lynette Yeow Su-Yin.

In addition to the above, the Board supports and recommended the re-election of Lynette Yeow Su-Yin and Erick Hamburger Barraza as Directors of the Company based on the following:-

### 1. Lynette Yeow Su-Yin

Ms Lynette Yeow was appointed as the Independent Non-Executive Director of the Company on 1 October 2020. She is a lawyer by profession and have extensive experience in corporate and securities laws, mergers and acquisitions and capital markets. The Board is of the view that the Group has benefitted from having Ms Lynette Yeow on the Board given her experience and constructive comments made during the Board meetings.

### 2. Erick Hamburger Barraza

Mr Erick Hamburger was appointed as the Group Chief Executive Officer on 1 April 2022 and was subsequently appointed as the Executive Director of Company on 30 September 2022. He has over 28 years of vast experience in corporate strategy and international credit reporting sector. His leadership roles in credit bureaus across several emerging economies will benefit the Group.

Tan Sri Izzuddin Bin Dali who retires by rotation pursuant to Clause 76(3) of the Constitution of the Company, has expressed his intention not to seek for re-election and hence, he will retire at the conclusion of the 2023 AGM.

# ADMINISTRATIVE NOTES

for the 2022 Annual General Meeting ("AGM")

Date : Friday, 26 May 2023  
 Time : 9.30 a.m.  
 Online Meeting Platform : <https://tjih.online>

## Precautionary Measures Against the Coronavirus Disease ("COVID-19")

- In line with the Guidance and Frequently Asked Questions (FAQs) on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia (including any amendment(s) that may be made from time to time) (SC Guidance), the AGM of the Company will be conducted fully virtual through live streaming and online remote platform provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") in Malaysia via its TIH Online website at <https://tjih.online>. Members are to attend, speak (including posing questions to the Board of Directors of CTOS via real time submission of typed texts) and vote (collectively, "Participate") remotely at this AGM via Remote Participation and Voting ("RPV") facilities provided by Tricor.
- According to the Revised Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 7 April 2022, an online meeting platform located in Malaysia is recognised as the meeting venue and all meeting participants of a fully virtual general meeting are required to participate in the meeting online.
- We strongly encourage you to attend the AGM via the RPV facilities. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the AGM.
- Given the current "Transition to Endemic" phase, the Company will continue to observe whether there is any new procedures, guidelines or measures may affect the administration of the AGM as set out in this Administrative Guide and requiring material change to the proceedings of the meeting, the Company will issue announcement on the same accordingly. Kindly check the Company's website for announcements on the latest update (if any) in relation to the AGM.

## Remote Participation and Voting

- The RPV facilities are available on Tricor's TIH Online website at <https://tjih.online>.
- Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the AGM using RPV facilities from Tricor.
- Kindly refer to Procedures for RPV as set out below for the requirements and procedures.

## Procedures to Remote Participation and Voting via RPV Facilities

- Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the AGM using the RPV facilities:

### Before the AGM Day

Procedure	Action
i. Register as a user with TIH Online	<ul style="list-style-type: none"> <li>• Using your computer, access to website at <a href="https://tjih.online">https://tjih.online</a>. Register as a user under the "e-Services" select the "Sign Up" button and followed by <b>"Create Account by Individual Holder"</b>. Refer to the tutorial guide posted on the homepage for assistance.</li> <li>• Registration as a user will be approved within one (1) working day and you will be notified via e-mail.</li> <li>• If you are already a user with TIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIH Online.</li> </ul>

## ADMINISTRATIVE NOTES

for the 2022 Annual General Meeting ("AGM")

**Before the AGM Day (Continued)**

Procedure	Action
ii. Submit your request to attend AGM remotely	<ul style="list-style-type: none"> <li>Registration is open from Wednesday, 26 April 2023 until the day of AGM on Friday, 26 May 2023. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the AGM to ascertain their eligibility to participate the AGM using the RPV facilities.</li> <li>Login with your user ID (i.e. e-mail address) and password and select the corporate event: <b>"(REGISTRATION) CTOS 2023 AGM"</b>.</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select "Register for Remote Participation and Voting".</li> <li>Review your registration and proceed to register.</li> <li>System will send an <b>e-mail to notify</b> that your registration for remote participation is received and will be verified.</li> <li>After verification of your registration against the Record of Depositors as at 19 May 2023, the system will send you an <b>e-mail on or after 24 May 2023 to approve or reject your</b> registration for remote participation.</li> </ul> <p><i>(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV.)</i></p>

**On the AGM Day**

Procedure	Action
i. Login to TIIH Online	<ul style="list-style-type: none"> <li>Login with your user ID and password for remote participation at the AGM at any time from 8.30 am i.e. 1 hour before the commencement of meeting at 9.30am on Friday, 26 May 2023.</li> </ul>
ii. Participate through Live Streaming	<ul style="list-style-type: none"> <li>Select the corporate event: <b>"(LIVE STREAM MEETING) CTOS 2023 AGM"</b> to engage in the proceedings of the AGM remotely.</li> </ul> <p>If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.</p>
iii. Online remote voting	<ul style="list-style-type: none"> <li>Voting session commences from 9.30am on Friday, 26 May 2023 until a time when the Chairman announces the end of the session.</li> <li>Select the corporate event: <b>"(REMOTE VOTING) CTOS 2023 AGM"</b> or if you are on the live stream meeting page, you can select <b>"GO TO REMOTE VOTING PAGE"</b> button below the Query Box.</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select the CDS account that represents your shareholdings.</li> <li>Indicate your votes for the resolutions that are tabled for voting. Confirm and submit your votes.</li> </ul>
iv. End of remote participation	<ul style="list-style-type: none"> <li>Upon the announcement by the Chairman on the conclusion of the AGM, the Live Streaming will end.</li> </ul>

## ADMINISTRATIVE NOTES

for the 2022 Annual General Meeting ("AGM")

### Note to users of the RPV facilities:

1. Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
3. In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to [tiih.online@my.tricorglobal.com](mailto:tiih.online@my.tricorglobal.com) for assistance.

### Entitlement to Participate and Appointment of Proxy

- Only members whose names appear on the Record of Depositors as at 19 May 2023 shall be eligible to attend, speak and vote at the AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to attend and vote on his/her behalf.
- In view that the AGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Proxy Form.
- If you wish to participate in the AGM yourself, please do not submit any Proxy Form for the AGM. You will not be allowed to participate in the AGM together with a proxy appointed by you.
- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/ attorney for the AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than Wednesday, 24 May 2023 at 9.30am:

(i) In Hard copy:

By hand or post to the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur;

(ii) By Electronic form:

All shareholders can have the option to submit proxy forms electronically via TIIH Online and the steps to submit are summarised below:

Procedure	Action
<b>i. Steps for Individual Shareholders</b>	
Register as a User with TIIH Online	<ul style="list-style-type: none"> <li>• Using your computer, please access the website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance.</li> <li>• If you are already a user with TIIH Online, you are not required to register again.</li> </ul>

## ADMINISTRATIVE NOTES

for the 2022 Annual General Meeting ("AGM")

## Entitlement to Participate and Appointment of Proxy (Continued)

## (ii) By Electronic form: (Continued)

Procedure	Action
i. Steps for Individual Shareholders (Continued)	
Proceed with submission of form of proxy	<ul style="list-style-type: none"> <li>After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.</li> <li>Select the corporate event: <b>"CTOS 2023 AGM - SUBMISSION OF PROXY FORM"</b>.</li> <li>Read and agree to the Terms and Conditions and confirm the Declaration.</li> <li>Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf.</li> <li>Appoint your proxy(s) and insert the required details of your proxy(s) or appoint the Chairman as your proxy.</li> <li>Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes.</li> <li>Review and confirm your proxy(s) appointment.</li> <li>Print the form of proxy for your record.</li> </ul>
ii. Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> <li>Access TIIH Online at <a href="https://tiih.online">https://tiih.online</a>.</li> <li>Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects the "Sign Up" button and followed by <b>"Create Account by Representative of Corporate Holder"</b>.</li> <li>Complete the registration form and upload the required documents.</li> <li>Registration will be verified, and you will be notified by email within one (1) to two (2) working days.</li> <li>Proceed to activate your account with the temporary password given in the email and re-set your own password.</li> </ul> <p><i>(Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/ she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.)</i></p>
Proceed with submission of form of proxy	<ul style="list-style-type: none"> <li>Login to TIIH Online at <a href="https://tiih.online">https://tiih.online</a>.</li> <li>Select the corporate event name: <b>"CTOS 2023 AGM - SUBMISSION OF PROXY FORM"</b>.</li> <li>Agree to the Terms &amp; Conditions and Declaration.</li> <li>Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein.</li> <li>Prepare the file for the appointment of proxies by inserting the required data.</li> <li>Login to TIIH Online, select corporate event name: <b>"CTOS 2023 AGM - SUBMISSION OF PROXY FORM"</b>.</li> <li>Proceed to upload the duly completed proxy appointment file.</li> <li>Select "Submit" to complete your submission.</li> <li>Print the confirmation report of your submission for your record.</li> </ul>

## ADMINISTRATIVE NOTES

for the 2022 Annual General Meeting ("AGM")

### Voting at Meeting

- The voting at the AGM will be conducted on a poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The Company has appointed Tricor to conduct the online voting.
- Shareholders can proceed to vote on the resolutions before the end of the voting session which will be announced by the Chairman of the Meeting and submit your votes at any time from the commencement of the AGM at 9.30am. Kindly refer to "Procedures to Remote Participation and Voting via RPV Facilities" provided above for guidance on how to vote remotely via TIH Online.

### Door Gift or Food Voucher

- There will be no door gifts or food vouchers for attending the AGM.

### No Recording or Photography

- Unauthorized recording and photography are strictly prohibited at the AGM

### Pre-Meeting Submission of Questions to the Board of Directors

- The Board recognises that the AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the AGM, shareholders may in advance, before the AGM, submit questions to the Board of Directors via Tricor's TIH Online website at <https://tiih.online>, by selecting "e-Services" to login, post your questions and submit it electronically no later than Wednesday, 24 May 2023 at 9.30am. The Board of Directors will endeavor to address the questions received at the AGM.

### Annual Report and Circular to Shareholders

The following documents are available for downloading from our corporate website at [www.ctosdigital.com](http://www.ctosdigital.com) or by scanning the QR code:

1. Annual Report 2022
2. Corporate Governance Report 2022
3. Statement on Proposed Renewal of Share Buy-Back Mandate
4. Notice of the 2023 AGM
5. Proxy Form
6. Administrative Details



In an effort to support green environment, we encourage shareholders to refer to the electronic copy of the abovementioned documents. You may request for a printed copy of the abovementioned documents at <https://tiih.online> by selecting "Request for Annual Report/Circular" under the "Investor Services" or through telephone/e-mail to our Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd as given below.

### Enquiry

- If you have any enquiry prior to the meeting, please call our Share Registrar, Tricor at +603-2783 9299 during office hours i.e. from 8.30 a.m. to 5.30 p.m. (Monday to Friday), or alternatively email to [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com).

# ctos

## PROXY FORM

CDS Account No.

No. of shares held

I/We \_\_\_\_\_ Tel: \_\_\_\_\_  
[Full name in block, NRIC/Passport/Company No.]  
of \_\_\_\_\_

being member(s) of **CTOS DIGITAL BERHAD** ("**CTOS Digital**" or the "**Company**"), hereby appoint:

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy(ies) to vote for me/us on my/our behalf at the 2023 Annual General Meeting of CTOS Digital which will be conducted as a **fully virtual** meeting through live streaming, online remote participation and voting via the online meeting platform hosted on the TIIH Online System ("**TIIH Online**") at <https://tiah.online> ("**Meeting Platform**") on Friday, 26 May 2023 at 9:30 a.m. or any adjournment thereof.

My/Our proxy is to vote as indicated below:

No.	Agenda	Resolution	For	Against
1.	To re-elect Lynette Yeow Su-Yin who retires pursuant to Clause 76(3) of the Company's Constitution.	Resolution 1		
2.	To re-elect Erick Hamburger Barraza who retires pursuant to Clause 78 of the Company's Constitution.	Resolution 2		
3.	To approve the payment of Directors' fees for an amount not exceeding RM535,000 from 27 May 2023 until the next AGM of the Company.	Resolution 3		
4.	To approve the payment of Directors' benefits for an amount not exceeding RM15,000 from 27 May 2023 until the next AGM of the Company.	Resolution 4		
5.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	Resolution 5		
6.	To approve renewal of Authority for Share Buy-Back	Resolution 6		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_

\_\_\_\_\_  
Signature\*  
Member

\* Manner of execution:

- (a) If you are an individual member, please sign where indicated.
- (b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
- (c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
  - (i) at least two (2) authorised officers, of whom one shall be a director; or
  - (ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Notes:

1. For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 19 May 2023. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.
2. A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
3. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
4. Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
6. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

Please fold here

Affix  
Stamp

**CTOS DIGITAL BERHAD**

Registration no : 201401025733  
(1101823-A)

**c/o Tricor Investor & Issuing House  
Services Sdn Bhd**

Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3  
Bangsar South, No. 8 Jalan Kerinchi  
59200 Kuala Lumpur

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7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:
  - (i) In hard copy form  
The original Form of Proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of that power or authority shall be deposited at the office of Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
  - (ii) Electronically via TIH Online  
The Form of Proxy can be electronically lodged with Tricor via TIH Online at <https://tih.online>. Please follow the procedures set out in the Administrative Guide.
8. For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office earlier.
9. Last date and time for lodging the Proxy Form is **Wednesday, 24 May 2023 at 9.30 a.m.**





[www.ctosdigital.com](http://www.ctosdigital.com)

## **CTOS DIGITAL BERHAD**

Registration No: 201401025733 (1101823-A)

Unit 01-12, Level 8, Tower A,  
Vertical Business Suite, Avenue 3,  
Bangsar South, No. 8 Jalan Kerinchi,  
59200 Kuala Lumpur.

Tel : +603 2722 8800

E-mail : [contactus@ctos.com.my](mailto:contactus@ctos.com.my)

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Bursa: 5301 / CTOS  
Bloomberg: 5301 : MK  
Reuters: CTOS.KL

Syariah Compliant