



CTOS DIGITAL BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Quarter ended		% + / (-)	Cumulative Quarter ended		% + / (-)
		<u>30.9.2023</u> RM'000	<u>30.9.2022</u> RM'000		<u>30.9.2023</u> RM'000	<u>30.9.2022</u> RM'000	
Revenue	A8	66,451	52,847	25.7	188,287	142,038	32.6
Cost of sales		(15,731)	(7,392)		(42,320)	(21,412)	
Gross profit		50,720	45,455	11.6	145,967	120,626	21.0
Other (expense)/income		(12)	(251)		16	928	
Selling and marketing expenses		(10,001)	(8,119)		(28,950)	(24,189)	
Administrative expenses		(17,340)	(14,582)		(51,461)	(42,379)	
Finance income		179	175		384	365	
Finance costs		(1,559)	(990)		(4,925)	(2,448)	
Share of profits of associates		8,430	5,930		17,406	14,068	
Profit before tax	B5	30,417	27,618	10.1	78,437	66,971	17.1
Tax expense	B6	(6,070)	(4,859)		(16,381)	(9,257)	
Profit for the financial period		24,347	22,759	7.0	62,056	57,714	7.5
Other comprehensive income/ (loss):							
Items that will be subsequently reclassified to profit or loss:							
Exchange differences on translation of foreign operations		(5,421)	(3,062)		(1,335)	(4,492)	
Share of other comprehensive income/(loss) of associate accounted for using equity method		7	2		15	(61)	
Items that will not be subsequently reclassified to profit or loss:							
Share of other comprehensive income/(loss) of associate accounted for using equity method		347	-		347	(58)	
Other comprehensive loss for the financial period		(5,067)	(3,060)		(973)	(4,611)	
Total comprehensive income for the financial period		19,280	19,699	(2.1)	61,083	53,103	15.0
Profit/(loss) for the financial period attributable to:							
- Owners of the Company		24,386	22,759	7.1	62,095	57,714	7.6
- Non-controlling interests		(39)	-	-	(39)	-	-
		24,347	22,759	7.0	62,056	57,714	7.5
Total comprehensive income/ (loss) for the financial period attributable to:							
- Owners of the Company		19,319	19,699	(1.9)	61,122	53,103	15.1
- Non-controlling interests		(39)	-	-	(39)	-	-
		19,280	19,699	(2.1)	61,083	53,103	15.0
Earnings per share for profit attributable to ordinary equity holders of the Company							
Basic/Diluted (sen)	B12	1.1	1.0		2.7	2.5	

The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30.9.2023 RM'000	Audited As at 31.12.2022 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		12,438	12,697
Right-of-use assets		1,834	3,033
Intangible assets		94,045	86,575
Investments in associates		558,116	574,620
Receivables, deposits and prepayments		554	554
Deferred tax assets		1,102	972
TOTAL NON-CURRENT ASSETS		668,089	678,451
CURRENT ASSETS			
Receivables, deposits and prepayments		51,629	39,299
Other investments	A15	3,246	5,048
Amount due from related parties		1,444	2
Tax recoverable		38	33
Cash and bank balances		15,226	12,406
TOTAL CURRENT ASSETS		71,583	56,788
CURRENT LIABILITIES			
Payables and accruals		34,482	31,374
Contract liabilities		7,434	7,508
Contingent consideration		-	12,157
Lease liabilities		1,652	1,606
Amount due to related parties		1,464	1,891
Borrowings		7,799	9,972
Taxation		29,416	16,294
TOTAL CURRENT LIABILITIES		82,247	80,802
NET CURRENT LIABILITIES		(10,664)	(24,014)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at <u>30.9.2023</u> RM'000	Audited As at <u>31.12.2022</u> RM'000
NON-CURRENT LIABILITIES			
Lease liabilities		248	1,493
Deferred tax liabilities		-	71
Provision for restoration costs		690	678
Borrowings		113,635	139,489
		<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES		114,573	141,731
		<hr/>	<hr/>
NET ASSETS		542,852	512,706
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital		584,047	584,047
Reverse acquisition reserve		(193,528)	(193,528)
Equity contribution from shareholder		315	315
Other reserves		(3,548)	(2,542)
Retained earnings		155,519	124,414
		<hr/>	<hr/>
Equity attributable to Owners of the Company		542,805	512,706
Non-controlling interests		47	-
		<hr/>	<hr/>
TOTAL EQUITY		542,852	512,706
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share attributable to Owners of the Company (RM)		0.23	0.22
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The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary shares		Other reserves				Retained earnings	Total attributable to Owners of the Company	Non-controlling interests	Total equity
	Number of shares	Share capital	Equity contribution from shareholders	Reverse acquisition reserve ⁽¹⁾	Foreign currency translation reserve	Fair value reserve				
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2023	2,310,000	584,047	315	(193,528)	(5,211)	2,669	124,414	512,706	-	512,706
Profit/(loss) for the financial period	-	-	-	-	-	-	62,095	62,095	(39)	62,056
Acquisition through business combination	-	-	-	-	-	-	-	-	86	86
Other comprehensive (loss)/income	-	-	-	-	(1,326)	320	33	(973)	-	(973)
Transaction with owners:										
Dividends paid (Note A6)	-	-	-	-	-	-	(31,023)	(31,023)	-	(31,023)
As at 30 September 2023	2,310,000	584,047	315	(193,528)	(6,537)	2,989	155,519	542,805	47	542,852
As at 1 January 2022	2,200,000	412,524	315	(193,528)	(6,669)	243	94,996	307,881	-	307,881
Issuance of new shares	110,000	173,800	-	-	-	-	-	173,800	-	173,800
Share issuance expenses	-	(2,159)	-	-	-	-	-	(2,159)	-	(2,159)
Profit for the financial period	-	-	-	-	-	-	57,714	57,714	-	57,714
Other comprehensive loss	-	-	-	-	(4,514)	(53)	(44)	(4,611)	-	(4,611)
Transaction with owners:										
Dividends paid	-	-	-	-	-	-	(28,396)	(28,396)	-	(28,396)
As at 30 September 2022	2,310,000	584,165	315	(193,528)	(11,183)	190	124,270	504,229	-	504,229

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

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>Cumulative Quarter ended</u>	
	<u>30.9.2023</u>	<u>30.9.2022</u>
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	78,437	66,971
Adjustments for:		
Reversal of impairment of receivables - net	(453)	(180)
Depreciation of property, plant and equipment	3,944	3,981
Depreciation of right-of-use assets	1,199	1,198
Amortisation of intangible assets	2,565	874
Dividend income	-	(1,346)
Interest income	(125)	(71)
Distribution income from money market funds	-	(61)
Fair value gain on other investments	(259)	(233)
Accretion of provision for restoration costs	12	13
Changes in fair value of contingent consideration payable	54	492
Interest expense	4,840	2,318
Lease interest	73	118
Share of profits of associates	(17,407)	(14,068)
Unrealised loss/(gain) on foreign exchange	6	(64)
Operating cash flows before working capital changes	<u>72,886</u>	<u>59,942</u>
Changes in working capital:		
Receivables, deposits and prepayments	(10,751)	(9,700)
Payables and accruals	2,437	6,402
Contract liabilities	(74)	(3,185)
Related parties balances	(1,869)	1,156
Cash flows generated from operations	<u>62,629</u>	<u>54,615</u>
Interest received	125	71
Tax paid	(3,465)	(4,636)
Dividends received	<u>32,922</u>	<u>7,504</u>
Net cash flows generated from operating activities	<u>92,211</u>	<u>57,554</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	<u>Note</u>	<u>Cumulative Quarter ended</u>	
		<u>30.9.2023</u>	<u>30.9.2022</u>
		RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash acquired		(657)	-
Purchase of property, plant and equipment		(3,834)	(2,991)
Purchase of intangible assets		(9,586)	(2,099)
Payment of contingent consideration		(12,211)	-
Distribution income from money market funds		283	310
Investments in associates		-	(324,734)
Purchase of other investment		-	(31,983)
Investment in money market funds - net		1,802	5,293
Net cash flows used in investing activities		(24,203)	(356,204)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		-	173,800
Payment of share issuance expenses		-	(2,159)
Dividends paid	A6	(31,023)	(28,396)
Drawdown of borrowings		-	212,685
Repayment of borrowings		(28,459)	(55,878)
Restricted cash for term loan facility		55	(1,618)
Payment of lease liabilities		(1,272)	(1,272)
Transaction costs paid		(4)	(2,505)
Interest paid		(4,404)	(1,316)
Net cash flows (used in)/generated from financing activities		(65,107)	293,341
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,901	(5,309)
EFFECT OF EXCHANGE RATE CHANGES		(26)	58
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD		10,714	17,131
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD		13,589	11,880

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes.

Explanatory Notes on the Quarterly Report – 30 September 2023

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

This condensed consolidated financial information of CTOS Digital Berhad (“the Company”) and its subsidiaries (“the Group”) is prepared in accordance with the requirements of paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complies with the requirements of the Malaysian Financial Reporting Standard (“MFRS”) 134 – Interim Financial Reporting and International Accounting Standard 34 “Interim Financial Reporting”. The condensed consolidated financial information is unaudited and should be read in conjunction with the Group’s audited annual financial statements for the financial year ended 31 December 2022.

The significant accounting policies and methods of computation adopted for the condensed consolidated financial information are consistent with those adopted for the audited consolidated financial statements for the financial year ended 31 December 2022 except for the adoption of the following amendment to published standard:

- MFRS 17 Insurance Contracts and Amendments to MFRS 17 (effective 1 January 2023)
- Amendments to MFRS 101 – ‘Classification of liabilities as current or non-current’ (effective 1 January 2023)
- Amendments to MFRS 101 – ‘Disclosure of accounting policies’ (effective 1 January 2023)
- Amendments to MFRS 108 – ‘Definition of accounting estimates’ (effective 1 January 2023)
- Amendments to MFRS 112 – ‘Deferred tax related to assets and liabilities arising from a single transaction’ (effective 1 January 2023)
- Amendments to MFRS 112– ‘International Tax Reform – Pillar Two Model Rules’ (effective 2 June 2023)

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

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

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

- Amendments to MFRS 101 – ‘Classification of liabilities as current or non-current’ (‘2020 amendments’) and ‘Non-current Liabilities with Covenants’ (‘2022 amendments’) (effective 1 January 2024)
- Amendments to MFRS 16 – ‘Lease Liability in a Sale and Leaseback’ (effective 1 January 2024)
- Amendments to MFRS 107 – ‘Supplier Finance Arrangements’ (effective 1 January 2024)
- Amendments to MFRS 7 – ‘Supplier Finance Arrangements’ (effective 1 January 2024)
- Amendments to MFRS 121 – ‘Lack of Exchangeability’ (effective 1 January 2025)

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

A2. Seasonal or Cyclical Factors

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

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

There were no significant unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the financial period ended 30 September 2023.

A4. Material Changes in Estimates

There were no changes in estimates which had a material effect in the financial period ended 30 September 2023.

A5. Debts and Equity Securities

There was no other issuance, repurchase and repayment of debts and equity securities during the financial period ended 30 September 2023.

A6. Dividends Paid

	Single-tier tax-exempt dividend <u>per share</u> sen	Amount of dividends, single-tier <u>tax-exempt</u> RM'000
<u>30.9.2023</u>		
Dividends paid in respect of the financial year ended 31 December 2022:		
- fourth interim dividend, paid on 15 March 2023	0.360	8,316
Dividends paid in respect of the financial year ending 31 December 2023:		
- first interim dividend, paid on 30 May 2023	0.433	10,002
- second interim dividend, paid on 21 September 2023	0.550	12,705
	<u>0.983</u>	<u>22,707</u>

A7. Segment Reporting

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

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

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

The share of results of associates represents the following:

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

A7. Segment Reporting (continued)

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

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

	30.9.2023			Cumulative Quarter ended		
	Malaysia	International	Total	Malaysia	International	Total
			RM'000			RM'000
Revenue	187,867	420	188,287	142,038	-	142,038
Gross profit	145,778	189	145,967	120,626	-	120,626
Segment profit	73,432	(197)	73,235	59,668	-	59,668
Dividend income	-	-	-	1,346	-	1,346
Depreciation and amortisation	(7,708)	-	(7,708)	(6,053)	-	(6,053)
Finance costs	(4,925)	-	(4,925)	(2,449)	-	(2,449)
Finance income	382	2	384	365	-	365
Share of profits of associates	9,922	7,485	17,407	7,656	6,412	14,068
Realised and unrealised gains on foreign exchange - net	44	-	44	26	-	26
Profit before taxation	71,147	7,290	78,437	60,559	6,412	66,971
Tax expense	(16,381)	-	(16,381)	(9,257)	-	(9,257)
Profit for the financial period	54,766	7,290	62,056	51,302	6,412	57,714
Segment assets	591,173	148,499	739,672	573,965	142,321	716,286
Other disclosures						
Non-cash items* (other than depreciation and amortisation)	(447)	-	(447)	(244)	-	(244)
Capital expenditure arising from property, plant and equipment and intangible assets additions	11,826	-	11,826	2,653	-	2,653

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

Explanatory Notes on the Quarterly Report – 30 September 2023

A7. Segment Reporting (continued)

Geographical segments

Non-current assets

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

	As at	
	<u>30.9.2023</u>	<u>31.12.2022</u>
	RM'000	RM'000
Malaysia	522,313	531,828
Thailand	144,110	145,097
Indonesia	10	-
	<u>666,433</u>	<u>676,925</u>

Borrowings and lease liabilities

	As at	
	<u>30.9.2023</u>	<u>31.12.2022</u>
	RM'000	RM'000
Malaysia	123,334	152,560
	<u>123,334</u>	<u>152,560</u>

Information about a major customer

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

A8. Revenue

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

	<u>Note</u>	Cumulative Quarter ended	
		<u>30.9.2023</u>	<u>30.9.2022</u>
		RM'000	RM'000
Provision of services	(a)		
- digital reports		81,642	60,257
- subscriptions and monitoring services		70,148	63,365
- comprehensive portfolio review and analytics		18,509	9,174
- digital solutions		17,988	9,242
		<u>188,287</u>	<u>142,038</u>

a) Revenue from contracts with customers:

	Cumulative Quarter ended	
	<u>30.9.2023</u>	<u>30.9.2022</u>
	RM'000	RM'000
Timing of revenue recognition:		
- at a point in time	113,058	75,285
- over time	75,229	66,753
Revenue from contracts with customers	<u>188,287</u>	<u>142,038</u>

A8. Revenue (continued)

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

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

	Cumulative Quarter ended	
	<u>30.9.2023</u>	<u>30.9.2022</u>
	RM'000	RM'000
Customer group		
- Key Accounts	83,099	53,442
- Commercial	88,384	77,440
- Direct-to-Consumer	16,804	11,156
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Total	188,287	142,038
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A9 Valuations of Property, Plant and Equipment

There were no revaluations of property, plant and equipment during the financial period ended 30 September 2023. As at 30 September 2023, all property, plant and equipment were stated at cost less accumulated depreciation.

A10. Changes in the Composition of the Group

1. Acquisition of subsidiaries

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

Alt Decisions is an investment holding company that currently holds 99.99% of the shares in PT Prime Analytics Indonesia ("Prime Analytics"). Prime Analytics is a financial technology company with the focus on helping businesses in making informed and responsible decisions in the area of risk management through the use of alternative data sources and advanced analytics technology.

The transaction was completed on 1 September 2023. Upon completion of the transaction, Alt Decisions and Prime Analytics become subsidiaries of the Company.

Details of the net assets acquired and net cash outflow arising from the acquisition are as follows:

	RM'000
Property, plant and equipment	11
Receivables, deposits and prepayments	1,110
Cash and cash equivalents	1,556
Payables and accruals	(2,250)
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Net identifiable assets acquired	427
Goodwill arising on acquisition	1,786
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Cash consideration	2,213
Less: cash and cash equivalents of subsidiaries acquired	(1,556)
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Net cash outflow of the Group on acquisition of subsidiaries	657
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A10. Changes in the Composition of the Group (continued)

1. Acquisition of subsidiary (continued)

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

Other than the above, there were no changes in the composition of the Group during the financial period ended 30 September 2023.

A11. Material Events Subsequent to the Financial Period

On 25 August 2023, the Company has entered into a Sale and Purchase Agreement (“SPA”) with the Shareholder Sellers and Option Sellers to acquire 4,181,667 ordinary shares in Fintech Platform Ventures Pte. Ltd. (“Fintech”) representing 100.0% of the total paid up share capital in Fintech for a total cash consideration of USD5,864,161 (equivalent to RM27,218,503).

Fintech is the holding company of Finscore Inc. (“Finscore”). Finscore is a financial technology company with the focus on helping businesses in making informed and responsible decisions in the area of risk management through the use of alternative data sources and advanced analytics technology.

The acquisition was completed on 26 October 2023.

Other than the above, there were no material events subsequent to the end of the financial period up to the date of this report.

A12. Contingent Liabilities or Contingent Assets

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

- a) In January 2020, CDS, a wholly owned subsidiary of the Company was served a legal notice by a Plaintiff on the basis of an alleged negligence in reporting credit information. CDS reiterates through its defence that it is a licensed entity under the Credit Reporting Agencies Act 2010 (Act) and has conducted its business pursuant to and in compliance of the Act. The Court has fixed the matter for full trial on 16 November 2023.
- b) In February 2022, CDS was served a legal notice by a Plaintiff on the basis of an alleged inaccuracy in reporting credit information and that the said reporting was not consented. CDS reiterates through its defence that it is a licensed entity under the Act and has conducted its business pursuant to and in compliance of the Act. The Court had dismissed the Plaintiff’s Application for Summary Judgement On 31 January 2023, the Plaintiff had withdrawn the case against CDS without liberty to file afresh.
- c) In July 2022, a Plaintiff filed an action seeking for a Court Order and/or Injunction against CDS (First Defendant) to delete and/or withdraw the credit information under the “Special Attention Account” status in his credit report that relates to the “Temporary Overdraft” facility granted by a financial institution (Second Defendant) to the Plaintiff. In addition, the Plaintiff further seeks an Order against the Second Defendant to withdraw the publication and/or any upload of credit information under the “Special Attention Account” status relating to the “Temporary Overdraft” facility in CDS and other credit reporting agency in Malaysia including Bank Negara Malaysia (BNM) through BNM CCRIS database. On 15 May 2023, the Court had dismissed the Plaintiff’s suit against the Defendants.

The Plaintiff/Appellant had filed an appeal against the Decision and the appeal is fixed for Hearing on 11 January 2024.

A12. Contingent Liabilities or Contingent Assets (continued)

- d) In October 2022, CDS was served with a Writ Summon by a Plaintiff claiming negligence in CDS' credit report which had contained the Plaintiff's bankruptcy proceeding that was annulled by the Court. The Plaintiff seeks damages, a public apology and an order to restrain CDS from making and/or publishing the information. CDS maintained that it has the right to publish the bankruptcy proceeding and the status update on the annulment in the credit report within the timeframe as allowed under the Act. The Court has fixed the matter for Case Management on 28 November 2023.
- e) In January 2023, CDS was served with a Writ Summons by a Plaintiff as the Fourth Defendant whereby the Plaintiff alleged negligence and/or conspiracy to injure its interests through the electronic trade reference (eTR) listing. The Plaintiff seeks injunction against the CDS' Subscriber and its Directors (First, Second and Third Defendants). The Plaintiff further seeks damages, losses, interests and costs from all the Defendants including CDS. CDS maintains that it has conducted its business pursuant to and in compliance of the Act. CDS further maintains that the disclosure of the Plaintiff's eTR data to others (if any) can only be made with the consent of the Plaintiff. CDS will seek indemnity against the First Defendant in the event of any breach of the Subscription Agreement. The matter was resolved amicably through settlement with the Plaintiff withdrawing the matter against CDS with no order as to cost on 16 March 2023 (Settlement).
- In June 2023, CDS was served with a Writ Summons by the same Plaintiff alleging that CDS had breached the terms of the Settlement. CDS denies any liability therein as the alleged breach claimed by the Plaintiff is not from report issued by CDS. The Plaintiff has among others sought for exemplary damages, legal costs and expenses amounting to RM840,000. The Court has fixed the matter for Case Management on 1 November 2023.
- f) In May 2023, CDS was served with a Writ Summons by a Plaintiff claiming negligence in CDS' credit report which had contained the Plaintiff's bankruptcy proceeding that was discharged by the Court. CDS maintained that it has the right to publish the bankruptcy proceeding and had duly updated the status of the discharge of bankruptcy in the credit report as required under the CRA Act. The Plaintiff has among others sought for Special Damages and General Damages amounting to RM500,000 from CDS. The Plaintiff has filed an application to strike out the Defence and for an order for assessment of damages. CDS will oppose this application as it is not a plain and obvious case for striking out. The Court has fixed the matter for Case Management on 22 November 2023.
- g) In July 2023, CDS was served with a Writ Summons by a Plaintiff for defamation with regard to Trade Credit Reference that was listed by the Second Defendant. CDS denies any publication of defamatory information in CDS Report. The Plaintiff has among others sought for an apology via social media and damages for libel amounting to RM8,000,000 against each Defendant. The Court has fixed the matter for Case Management on 6 November 2023.

The Management had sought legal advice from external counsel on these litigation cases whereby the Board and Management have been advised that the Group has a fair chance at successfully defending the cases based on legal precedents. As at 30 September 2023, no provisions are required in the condensed consolidated financial information.

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

A13. Capital Commitments

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

	<u>30.9.2023</u>	<u>31.12.2022</u>
	RM'000	RM'000
<u>Contracted</u>		
- property, plant and equipment	2,466	776
- intangible assets	3,986	2,011
	<u>6,452</u>	<u>2,787</u>

A14. Significant Related Party Transactions

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

	Transactions for the period ended <u>30.9.2023</u>	Balances as at <u>30.9.2023</u>
	RM'000	RM'000
<u>Group</u>		
Purchase of services		
- Software services from Juris Technologies Sdn Bhd ("JurisTech")	1,787	1,451
Sale of services		
- Advisory and support services to CIBI Holdings Pte Ltd ("CIBI Holdings")	3,450	767
- Software services to CIBI Information, Inc. ("CIBI")	664	664
	<u>4,114</u>	<u>1,431</u>

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

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

A15. Fair Value Measurements

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

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

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

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

a) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group approximated their fair values as at 30 September 2023.

b) Financial instruments carried at fair value

The following table represents the assets measured at fair value, using the respective valuation techniques, as at 30 September 2023:

	<u>Level 1</u> RM'000
<u>Current asset</u>	
Other investments	
- Investment in money market funds	3,246
	<hr/>

There is no financial liability measured at fair value as at 30 September 2023.

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

B1. Review of Group Performance

	Cumulative Quarter ended		% + / (-)
	30.9.2023 RM'000	30.9.2022 RM'000	
Revenue			
Malaysia	187,867	142,038	32.3
International	420	-	-
	<u>188,287</u>	<u>142,038</u>	32.6
Segment profit/(loss)			
Malaysia	73,432	59,668	23.1
International	(197)	-	-
	<u>73,235</u>	<u>59,668</u>	22.7
Profit before tax ("PBT")	78,437	66,971	17.1
Profit for the financial period ("PAT")	62,056	57,714	7.5
Profit attributable to Owners of the Company ("PATAMI")	<u>62,095</u>	<u>57,714</u>	7.6
Reconciliation of PATAMI to Normalised PATAMI:			
PATAMI	62,095	57,714	7.6
Add:			
Costs related to acquisitions	206	1,056	
Incremental income tax expense	13,225	10,760	
Write back of prior year tax	-	(5,066)	
Normalised PATAMI – Note 1	<u>75,526</u>	<u>64,464</u>	17.2

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

For the nine months ended 30 September 2023, the Group recorded a higher revenue of RM188.3 million and PBT of RM78.4 million. PAT grew to RM62.1 million from RM57.7 million recorded a year ago.

The segment profit from the Malaysia operations for the nine months ended 30 September 2023 surged by 23.1% to RM73.4 million propelled by robust revenue growth. Revenue increased by 32.3% to RM187.9 million compared to RM142.0 million a year ago, with higher revenue from all customer groups (namely Key Accounts, Commercial and Direct-to-Consumer). Key Accounts and Direct-to-Consumer achieved significant growth at 54.7% and 50.6% respectively driven by strong demand for CTOS Data Systems Reports, digital solutions and comprehensive portfolio review and analytics services.

The International operations, which comprises the newly acquired business of Prime Analytics in Indonesia reported a revenue of RM0.4 million and a loss of RM0.2 million during its maiden month in the Group.

PBT for the Group improved by 17.1% to RM78.4 million in the current financial period attributable to the strong operational performance and higher share of profits of associates.

B1. Review of Group Performance (continued)

Profit after tax increased by 7.5% to RM62.1 million from RM57.7 million in the corresponding period of the previous year. In the previous year, the PAT included writeback of prior year tax of RM5.1 million recognised upon CDS obtaining approval to transition to the new regime (refer to note B6 for more details).

Normalised PATAMI increased by 17.2% to RM75.5 million in the current period from RM64.5 million in the corresponding period of the previous financial year primarily driven by the growth in our segment profit and the higher share of profits of associates.

B2. Comparison with Immediate Preceding Quarter

	Quarter ended		% + / (-)
	<u>30.9.2023</u> RM'000	<u>30.6.2023</u> RM'000	
Revenue			
Malaysia	66,031	62,242	6.1
International	420	-	-
	<u>66,451</u>	<u>62,242</u>	6.8
Segment profit			
Malaysia	26,202	23,302	12.4
International	(197)	-	-
	<u>26,005</u>	<u>23,302</u>	11.6
PBT	<u>30,417</u>	<u>26,080</u>	16.6

The Group revenue recorded RM66.5 million for the current quarter which is a 6.8% or RM4.2 million increase compared to RM62.2 million in the preceding quarter while segment profit increased to RM26.0 million compared to RM23.3 million in the preceding quarter.

The profit from Malaysia operations increased by 12.4% or RM2.9 million from RM23.3 million in the preceding quarter to RM26.2 million in the current quarter largely due to the strong growth in revenue from our Key Accounts and Commercial customers driven by strong demand in CTOS Data Systems reports and comprehensive portfolio review and analytics services.

The International operations reported a loss of RM0.2 million for the quarter.

Group PBT increased by 16.6% or RM4.3 million contributed by higher segment profit and higher share of profit of associates.

B3. Prospects of the Group

Amidst the ongoing recovery of the Malaysian and wider regional economies, the Group remains buoyant on its growth trajectory for 2023.

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

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

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

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

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

B5. Profit Before Tax

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

	Quarter ended		Cumulative Quarter ended	
	<u>30.9.2023</u>	<u>30.9.2022</u>	<u>30.9.2023</u>	<u>30.9.2022</u>
	RM'000	RM'000	RM'000	RM'000
Allowance for/(reversal of) impairment of receivables - net	51	75	(453)	(180)
Depreciation of property, plant and equipment	1,310	1,316	3,944	3,981
Depreciation of right-of-use assets	400	399	1,199	1,198
Realised loss/(gain) on foreign exchange	1	12	(50)	38
Unrealised loss/(gain) on foreign exchange	19	(79)	6	(64)
Amortisation of intangible assets	909	364	2,565	874
Dividend income	-	-	-	(1,346)
Finance income:				
- interest income	(60)	(30)	(125)	(71)
- distribution income from money market funds	-	-	-	(61)
- fair value gain on other investments	(119)	(145)	(259)	(233)

Other than as presented in the condensed consolidated statements of comprehensive income and as disclosed above, there were no material gains/losses on disposal of quoted and unquoted investments or properties and other exceptional items for the financial period ended 30 September 2023.

B6. Tax Expense

	Quarter ended		Cumulative Quarter ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000
Current tax				
- current period	5,967	5,549	17,159	13,464
- over accruals in prior year	(74)	(877)	(577)	(5,074)
	<u>5,893</u>	<u>4,672</u>	<u>16,582</u>	<u>8,390</u>
Deferred tax				
- origination and reversal of temporary differences	177	187	(201)	867
	<u>6,070</u>	<u>4,859</u>	<u>16,381</u>	<u>9,257</u>

The Group's effective tax rates for the current quarter and financial period ended 30 September 2023, excluding share of profits of associates were 27.6% and 26.8% respectively, higher than the statutory tax rate of 24% mainly due to the non-deductibility of certain expenses.

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

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

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

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

B7. Status of Corporate Proposals

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

Explanatory Notes on the Quarterly Report – 30 September 2023

B8. Borrowings

	<u>Currency</u>	<u>30.9.2023</u> RM'000	<u>As at</u> <u>31.12.2022</u> RM'000
<u>Secured</u>			
<u>Current</u>			
Term loan	RM	7,799	9,972
<u>Non-current</u>			
Term loan	RM	113,635	139,489
Total borrowings		<u>121,434</u>	<u>149,461</u>

B9. Material Litigation

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

B10. Financial Liabilities

The Group recognised fair value loss of RM54,000 during the financial period ended 30 September 2023 on the contingent consideration for the acquisition of CTOS Basis. The contingent consideration has been settled in May 2023.

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

B11. Dividends

The Board of Directors has declared a third interim single tier dividend of 0.64 sen per ordinary share in respect of the financial year ending 31 December 2023, which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act 1967, to be paid on 22 December 2023. The entitlement date for the dividend payment is 24 November 2023.

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

- (i) shares transferred into the depositor's securities account before 4.30 pm on 24 November 2023 in respect of transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

B12. Earnings per Share

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

	<u>Quarter ended</u>		<u>Cumulative Quarter ended</u>	
	<u>30.9.2023</u>	<u>30.9.2022</u>	<u>30.9.2023</u>	<u>30.9.2022</u>
Profit attributable to the owners of the Company (RM'000)	<u>24,386</u>	<u>22,759</u>	<u>62,095</u>	<u>57,714</u>
Number of shares at the beginning of the period ('000)	2,310,000	2,310,000	2,310,000	2,200,000
Adjusted for increase in number of shares on 3 March 2022 ('000)	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,421</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,310,000</u>	<u>2,310,000</u>	<u>2,310,000</u>	<u>2,285,421</u>
Basic/Diluted earnings per ordinary share (sen)	<u>1.1</u>	<u>1.0</u>	<u>2.7</u>	<u>2.5</u>