

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023⁽¹⁾**

	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
	Unaudited 31.12.2023 RM'000	Unaudited 31.12.2022 RM'000	Unaudited 31.12.2023 RM'000	Audited 31.12.2022 RM'000
Revenue	10,673	8,996	34,242	32,792
Other income	497	122	1,816	364
Employee benefits expense	(3,921)	(3,172)	(13,438)	(10,627)
Information technology expenses	(833)	(648)	(2,931)	(2,349)
Depreciation expenses	(310)	(331)	(1,375)	(1,251)
Other operating expenses	(1,178)	(930)	(3,818)	(3,583)
Operating profit	4,928	4,037	14,496	15,346
Finance income	177	216	796	422
Finance cost	27	(22)	(62)	(97)
Share of results of associate	–	–	–	(74)
Profit before tax	5,132	4,231	15,230	15,597
Tax expense	(1,419)	(991)	(4,008)	(4,050)
Profit and total comprehensive income for the financial period	3,713	3,240	11,222	11,547
Profit and total comprehensive income attributable to:				
Owners of the Company	3,713	3,240	11,222	11,547
Earnings per share attributable to owners of the Company:				
Basic (sen) ⁽²⁾	0.81	0.78	2.46	2.77
Diluted (sen) ⁽³⁾	0.81	0.78	2.46	2.77

Notes:

- (1) The Unaudited 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 attached to this interim financial report.
- (2) Basic earnings per share is calculated based on the weighted average number of ordinary shares of the Company of 456,000,000 as at 31 December 2023 (31 December 2022: 416,687,630).
- (3) There are no dilutive instruments as at the end of the current financial quarter.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

	Unaudited 31.12.2023 RM'000	Audited 31.12.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,586	3,395
Investment properties	804	817
Investment in associate	72	–
Other investments	4,940	4,940
Deferred tax assets	850	300
Total non-current assets	9,252	9,452
Current assets		
Trade and other receivables	9,595	7,967
Contract assets	1,759	644
Other investments	1,014	4,099
Current tax assets	559	31
Cash and short-term deposits	73,614	69,087
Total current assets	86,541	81,828
TOTAL ASSETS	95,793	91,280
EQUITY AND LIABILITIES		
Equity		
Share capital	66,249	66,249
Reorganisation reserve	(20,649)	(20,649)
Retained earnings	40,984	37,970
Total equity attributable to owners of the Company	86,584	83,570
Non-current liabilities		
Loans and borrowings	352	883
Contract liabilities	165	94
Total non-current liabilities	517	977
Current liabilities		
Loans and borrowings	392	916
Current tax liabilities	13	24
Trade and other payables	3,685	3,218
Contract liabilities	4,602	2,575
Total current liabilities	8,692	6,733
TOTAL LIABILITIES	9,209	7,710
TOTAL EQUITY AND LIABILITIES	95,793	91,280
Net assets per share attributable to owners of the Company (sen) ⁽¹⁾	18.99	18.33

Note:

⁽¹⁾ Computed based on total equity attributable to owners of the Company divided by the number of ordinary shares of the Company of 456,000,000 as at 31 December 2023 (31 December 2022: 456,000,000).

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023⁽¹⁾**

	Share capital RM'000	Reorganisation reserve RM'000	Retained earnings RM'000	Total equity RM'000
As at 1 January 2023 (Audited)	66,249	(20,649)	37,970	83,570
Profit and total comprehensive income for the financial year	–	–	11,222	11,222
Transaction with owners: – Dividends paid	–	–	(8,208)	(8,208)
As at 31 December 2023 (Unaudited)	66,249	(20,649)	40,984	86,584
As at 1 January 2022 (Audited)	22,300	(20,649)	26,423	28,074
Profit and total comprehensive income for the financial year	–	–	11,547	11,547
Transaction with owners: – Issuance of ordinary shares ⁽²⁾ – Share issuance expenses ⁽³⁾	45,698 (1,749)	– –	– –	45,698 (1,749)
As at 31 December 2022 (Audited)	66,249	(20,649)	37,970	83,570

Notes:

⁽¹⁾ The Unaudited 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 attached to this interim financial report.

⁽²⁾ Issuance of new shares pursuant to the Initial Public Offering (“IPO”).

⁽³⁾ Listing expenses incurred pursuant to the IPO that has been set-off against the equity.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 ⁽¹⁾**

	Unaudited	Audited
	31.12.2023	31.12.2022
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	15,230	15,597
Adjustments for non-cash items		
Depreciation	1,375	1,251
Other adjustments	(1,213)	(109)
Operating profit before changes in working capital	15,392	16,739
Changes in working capital		
Trade and other receivables	(1,631)	(1,114)
Trade and other payables	467	481
Contract assets	(1,115)	(644)
Contract liabilities	2,098	1,237
Cash generated from operations	15,211	16,699
Income tax paid	(5,096)	(4,282)
Income tax refunded	–	20
Interest received	791	386
Net cash flows from operating activities	10,906	12,823
Cash flows from investing activities		
Purchase of property, plant and equipment	(481)	(819)
Purchase of other investments	–	(4,940)
Proceeds from disposal of property, plant and equipment	779	75
Proceeds from disposal of other investments	3,294	–
Increase in investment in an associate	(72)	–
Change in pledge deposits	(2)	25
Net change in amount due from an associate	(18)	48
Net cash flows from/(used in) investing activities	3,500	(5,611)
Cash flows from financing activities		
Proceeds from issuance of shares	–	45,698
Payments of share issuance expenses	–	(1,749)
Repayment of term loans	–	(590)
Payment of lease liabilities	(300)	(515)
Repayment of hire purchase payables	(1,383)	(340)
Dividends paid	(8,208)	–
Interest paid	(113)	(97)
Net cash (used in)/from financing activities	(10,004)	42,407
Net increase in cash and cash equivalents	4,402	49,619
Cash and cash equivalents at beginning of the financial year	68,971	19,221
Effect of exchange rate changes	123	131
Cash and cash equivalents at end of the financial year	73,496	68,971

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 ⁽¹⁾ (CONT'D)**

	Unaudited 31.12.2023 RM'000	Audited 31.12.2022 RM'000
Analysis of cash and cash equivalents:		
Fixed deposits placed with licensed banks	1,765	2,758
Cash and bank balances	9,708	66,329
Short-term investments	62,141	–
	<u>73,614</u>	<u>69,087</u>
Less: Pledged deposits	(118)	(116)
	<u>73,496</u>	<u>68,971</u>

Note:

- ⁽¹⁾ The Unaudited 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 attached to this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT**A1. Basis of preparation**

The interim financial report of LGMS Berhad (“**LGMS**” or the “**Company**”) and its subsidiaries (the “**Group**”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“**MFRS**”) 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements (“**Listing Requirements**”) of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial report.

A2. Summary of significant accounting policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the Group’s audited financial statements for the financial year ended 31 December 2022 as disclosed in the Annual Report, except for the adoption of the following new MFRS and amendments/improvements to MFRS that have been issued but yet to be effective.

New MFRS and amendments/Improvements to MFRSs effective on 1 January 2023

MFRS 17 *Insurance Contracts*

Amendments to MFRS 17: *Insurance Contracts*

Amendments to MFRS 17: *Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information*

Amendments to MFRS 101: *Presentation of Financial Statements – Disclosure in Accounting Policies*

Amendments to MFRS 108: *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

Amendments to MFRS 112: *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Amendments to MFRS 112: *Income Taxes – International Tax Reform – Pillar Two Model Rules*

The adoption of the above new MFRS and amendments/improvements to MFRSs does not have any significant effect on the financial statements of the Group.

Amendments/improvements to MFRSs that have been issued, but yet to be effective

	Effective Date
Amendments to MFRS 16: <i>Leases – Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101: <i>Presentation of Financial Statements – Non-Current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 101: <i>Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies</i>	1 January 2024
Amendments to MFRS 107: <i>Statement of Cash Flows</i> and MFRS 7 <i>Financial Instruments: Disclosures – Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 121: <i>The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability</i>	1 January 2025
Amendments to MFRS 10: <i>Consolidated Financial Statements</i> and MFRS 128: <i>Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The initial application of the accounting standards, interpretations or amendments is not expected to have a material financial impact to the current period and prior period financial statements of the Group.

NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)**A3. Auditors' report of preceding annual financial statements**

The audited financial statements of the Group for the financial year ended 31 December 2022 were not subject to any qualification.

A4. Seasonal or cyclical factors

The business operations of the Group were not materially affected by any seasonal or cyclical changes.

A5. Extraordinary and exceptional items

There were no extraordinary and exceptional items of unusual nature affecting assets, liabilities, equity, net income, or cash flows during the current financial quarter under review.

A6. Changes in estimates of amounts reported previously

There were no material changes in estimates that would have a material effect in the current financial quarter under review.

A7. Changes in debts and equity securities

There was no issuance, cancellations, repurchases, resale or repayments of debt and equity securities during the current financial quarter under review.

A8. Dividends paid

No dividend was paid during the current financial quarter under review.

A9. Segmental reporting

The segmental analysis of the Group's revenue by business segments and geographical locations are as follows:

	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
	Unaudited 31.12.2023 RM'000	Unaudited 31.12.2022 RM'000	Unaudited 31.12.2023 RM'000	Audited 31.12.2022 RM'000
Business Segments				
Cyber risk prevention	6,733	6,565	24,599	22,458
Cyber risk management and compliance	2,973	1,916	7,302	7,643
Cyber threat and incident response	967	515	2,341	2,691
	<u>10,673</u>	<u>8,996</u>	<u>34,242</u>	<u>32,792</u>

NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)**A9. Segmental reporting (cont'd)**

	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
	Unaudited 31.12.2023	Unaudited 31.12.2022	Unaudited 31.12.2023	Audited 31.12.2022
	RM'000	RM'000	RM'000	RM'000
<u>Geographical Locations</u>				
Malaysia	8,951	6,753	28,637	25,534
Overseas	1,722	2,243	5,605	7,258
	<u>10,673</u>	<u>8,996</u>	<u>34,242</u>	<u>32,792</u>

A10. Valuation of property, plant and equipment

There was no revaluation of property, plant and equipment during the current financial quarter under review.

A11. Material events subsequent to the end of the current financial quarter

There were no material events subsequent to the end of the current financial quarter to the date of this announcement, which will materially affect the earnings or income of the Group.

A12. Changes in composition of the Group

There were no changes in the composition of the Group for the current financial quarter.

A13. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets arising as at the end of the current financial quarter.

A14. Capital commitments

There were no material capital commitments as at the end of the financial year, save as disclosed in Note B15.

A15. Related party transactions

There were no related party transactions during the current financial quarter under review.

EXPLANATORY NOTES PURSUANT TO THE LISTING REQUIREMENTS**B1. Review of performance**

The Group recorded revenue of RM10.67 million for the 3-months financial period ended 31 December 2023 representing an increase of RM1.68 million or 18.64% from the revenue of RM9.0 million recorded in the corresponding financial period ended 31 December 2022. The increase in revenue mainly contributed by the larger contract value from the customers in the cyber risk management and compliance segment during the financial period under review.

During the current financial quarter under review, cyber risk prevention segment remains the primary segment of the Group, followed by cyber risk management and compliance segment, which contributed 63.08% and 27.86% respectively to the total revenue of the Group for the current financial quarter under review.

The Group recorded higher profit before tax and profit after tax of RM5.13 million and RM3.71 million respectively for the current financial quarter under review as compared to the corresponding financial quarter under review. The higher profit before tax was mainly due to higher revenue recognised in the current financial quarter under review compared to the corresponding financial quarter mainly due to the projects completed are with larger contract value.

B2. Comparison of quarterly financial results with preceding quarter

	Current Quarter 3 months ended 31.12.2023 RM'000	Preceding Quarter 3 months ended 30.09.2023 RM'000
Revenue	10,673	8,364
Profit before tax	5,132	3,060

The Group recorded an increase in revenue of RM2.31 million or 27.61% to RM10.67 million in the current financial quarter compared to RM8.36 million in the immediate preceding financial quarter. This was mainly due to higher number of projects completed during the current financial quarter.

The profit before tax of RM5.13 million in the current financial quarter under review is higher than the immediate preceding quarter by RM2.07 million mainly due to higher revenue recognised.

B3. Prospect and outlook

The digital economy in Malaysia is currently contributing 22.6% to the Malaysian GDP and the number is set to rise to 25.5% by year 2025 according to the prediction by Malaysia Digital Economy Corporation. Such trajectory predicates a strong growth in e-commerce and heightened digital assimilation across sectors. Given that digital technologies are intertwined with everyday life and business activities, the potential consequences of cyber threats on the country's economic landscape are hence significant and safeguarding against such risks is imperative. The rising demand for cybersecurity services will create opportunities to the cybersecurity market. Leveraging the Group's market position, branding and the entry of Mitsui Co., Ltd in LGMS, the Group is strategically poised to benefit from the growing demands for such services.

The Group is on a business expansion route with the aim to expand its geographical footprints regionally. The Board expects such expansion route will contribute positively to the Group's financial performance moving forward.

EXPLANATORY NOTES PURSUANT TO THE LISTING REQUIREMENTS (CONT'D)**B4. Profit forecast and profit guarantee**

Not applicable as the Group did not announce any profit forecast or profit guarantee.

B5. Variance of actual profit from financial estimate, forecast profit or shortfall of profit guarantee

Not applicable as the Group did not announce any profit forecast or profit guarantee.

B6. Income tax expense

	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
	Unaudited 31.12.2023 RM'000	Unaudited 31.12.2022 RM'000	Unaudited 31.12.2023 RM'000	Audited 31.12.2022 RM'000
Income tax:	1,419	991	4,008	4,050
Effective tax rate (%)	27.65	23.42	26.32	25.97

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit before tax for the current financial quarter and current financial period.

B7. Unquoted investments and properties

There were no sales of unquoted investment or properties for the current financial quarter under review.

B8. Quoted securities

There were no sales of quoted securities for the current financial quarter and the financial year to date.

B9. Loans and borrowings

	Unaudited 31.12.2023 RM'000	Audited 31.12.2022 RM'000
Non-current		
Lease liabilities	119	92
Hire purchase payables	233	791
	<u>352</u>	<u>883</u>
Current		
Lease liabilities	187	513
Hire purchase payables	205	403
	<u>392</u>	<u>916</u>
Total loans and borrowings	<u>744</u>	<u>1,799</u>

All the Group's borrowings are denominated in Ringgit Malaysia.

EXPLANATORY NOTES PURSUANT TO THE LISTING REQUIREMENTS (CONT'D)**B10. Profit before tax**

Profit before tax is arrived after charging/(crediting):

	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
	Unaudited 31.12.2023 RM'000	Unaudited 31.12.2022 RM'000	Unaudited 31.12.2023 RM'000	Audited 31.12.2022 RM'000
Depreciation of:				
– property, plant and equipment	306	328	1,362	1,238
– investment properties	4	3	13	13
Interest expense	(27)	22	62	97
Fair value (gain)/loss on other investments	(504)	(95)	(1,326)	298
Listing expenses	–	80	–	792
Gain on disposal of property, plant and equipment	–	–	(222)	(75)
Interest income	(177)	(216)	(796)	(422)

Other disclosure items pursuant to Appendix 9B, Note 16 of the Listing Requirements are not applicable.

B11. Earnings per share

	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
	Unaudited 31.12.2023	Unaudited 31.12.2022	Unaudited 31.12.2023	Audited 31.12.2022
Profit attributable to owners of the Company (RM'000)	3,713	3,240	11,222	11,547
Weighted average number of ordinary shares in issue during the period ('000)	456,000	416,688	456,000	416,688
Basic earnings per share (sen) ⁽¹⁾	0.81	0.78	2.46	2.77
Diluted earnings per share (sen) ⁽²⁾	0.81	0.78	2.46	2.77

Notes:

⁽¹⁾ Basic earnings per share is calculated based on the weighted average number of ordinary shares of the Company of 456,000,000 as at 31 December 2023 (31 December 2022: 416,687,630).

⁽²⁾ There are no dilutive instruments as at the end of the quarter ended 31 December 2023.

EXPLANATORY NOTES PURSUANT TO THE LISTING REQUIREMENTS (CONT'D)**B12. Material litigation**

The Group does not have any material outstanding litigation as at the date of this announcement.

B13. Dividend

On 28 February 2023, the Company declared a first and final single-tier dividend of 1.3 sen per ordinary share amounting to RM5,928,000 which was subsequently paid on 31 March 2023 in respect of the financial year ended 31 December 2022.

On 28 August 2023, the Company declared a first interim single-tier dividend of 0.5 sen per ordinary share amounting to RM2,280,000 which was subsequently paid on 29 September 2023 in respect of the financial year ended 31 December 2023.

B14. Status of corporate proposal

There were no corporate proposals that have been announced by the Company but not completed as at the date of this interim report, save for the following:-

On 20 February 2024, the Company has entered into the following with Cheerful Effect Sdn Bhd:-

- (i) sale and purchase agreement to acquire 1 unit of office premise, with freehold strata title held under Geran 238145/M1-A/13/154, bearing postal address at No. A-11-01, Empire Office Tower, Empire Subang, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan, with a floor space of approximately 869 square metres ("**sqm**") (equivalent to approximately 9,354 square feet ("**sqft**")) for a cash consideration of approximately RM6.22 million ("**Proposed Acquisition 1**"); and
- (ii) sale and purchase agreement to acquire 1 unit of office premise, with freehold strata title held under Geran 238145/M1-A/13/155, bearing postal address at No. A-11-02, Empire Office Tower, Empire Subang, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan, with a floor space of approximately 944 sqm (equivalent to approximately 10,161 sqft) for a cash consideration of RM6.68 million ("**Proposed Acquisition 2**").

*(Proposed Acquisition 1 and Proposed Acquisition 2 are collectively referred to as the "**Proposed Acquisitions**").*

Barring any unforeseen circumstances, the Board expects the Proposed Acquisitions to be completed within the first half of year 2024.

B15. Utilisation of proceeds from IPO

The total gross proceeds of approximately RM45.70 million raised from the Public Issue are intended to be utilised in the following manner:

<u>Details of utilisation</u>	<u>Proposed utilisation</u> <u>RM'000</u>	<u>Actual utilisation</u> <u>RM'000</u>	<u>Estimated timeframe for utilisation upon listing on 8 June 2022</u>
1. Business expansion			
i. Purchase of office	18,000	258	Within 12 to 24 months
ii. Expansion of workforce	6,500	1,334	Within 24 months
iii. Capital expenditure on equipment and tools	6,000	1,578	Within 24 months
iv. Strategic business expansion	7,698	64	Within 24 months
2. Working capital	3,500	1,866	Within *24 months
3. Estimated listing expenses	4,000	4,000	Within 3 months
	<u>45,698</u>	<u>9,100</u>	

Note:-

* The Board had on 6 June 2023 resolved to extend the timeframe for utilisation of the working capital to 24 months from the listing on 8 June 2022.

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 20 May 2022.

B16. Authorisation for issue

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board on 23 February 2024.