



LMS COMPLIANCE LIMITED
(Company Registration No. 202225544C)
(Incorporated in the Republic of Singapore)

**RESPONSE TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)
IN RELATION TO THE FY2023 ANNUAL**

The board of directors (the “**Board**”) of LMS Compliance Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) sets out its responses to the following questions raised by the Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Company’s Annual Report for the financial year ended 31 December 2023 (the “**FY2023 Annual Report**”) and wishes to provide the following responses to the questions:

SIAS Question 1

The company was listed on 1 December 2022 on the Catalist Board of the Singapore Exchange. The group offers testing and certification services for its customers across various industries, such as food, feed, fertiliser, pharmaceutical, medical devices, healthcare, industrial and Greentech.

For the financial year ended 31 December 2023, consolidated group revenue, primarily from the "Testing and Assessment" business segment, increased by 11.9% to RM20.9 million. Net profit before tax improved to RM5.18 million.

- (i) **To provide shareholders with a deeper insight into the group's operational dynamics, could the company elaborate on the key testing and assessment services that significantly contributed to the group's revenue?**

Response from the Company

Under the Group’s “Testing and Assessment” business segment, ISO/IEC 17025 accredited laboratories provide laboratory testing and assessment services to assist customers in achieving compliance with industry standards and ensure the safety of the products of the consumers. The key testing and assessment services that contributed significantly to the Group’s revenue, are mainly derived from the food, pharmaceutical, environmental and medical devices market segments.

- (ii) **What were the utilisation rates of the group’s three accredited laboratories in Penang, Shah Alam and Johor Bahru? And how much additional growth can these laboratories accommodate?**

Response from the Company

Currently, the average utilisation rate of the Group’s three laboratories is approximately 80-90% of their total capacity. The Group is in the midst of expanding the areas of its laboratory in Shah Alam from approximately 5,000 square feet to 15,000 square feet in Shah Alam and this expansion is

scheduled to be completed in May 2024. Following the aforementioned completion, the Group intends to kick start the expansion project of the laboratory in Johor Bahru in the second half of 2024 will result in an additional 4,000 square feet area.

- (iii) What measures does management implement to ensure the accuracy of test results and compliance with relevant standards and regulations?**

Response from the Company

The laboratories undertake a couple of activities to ensure the accuracy of results, including but not limited to, inter-laboratory comparison, proficiency testing, regular calibration, and quality control samples (Gold standard).

- (iv) What proportion of the group's revenues is recurring in nature? Is management strategically focused on nurturing long-term customer relationships to ensure recurring and consistent revenue streams?**

Response from the Company

Generally, at least 80% of the Group's revenue is recurring in nature from repeated customers. Innovation to ensure agility is among the key focus areas of the Group to retain stickiness in the customers' relationship with the Group.

SIAS Question 2

On 29 January 2024, the company announced that it launched an environmental, social and governance (ESG) disclosure and sustainability report assurance service aimed at helping companies and businesses meet their regulatory obligations.

In the announcement, the company also announced that it had clinched three sustainability reporting service projects and one assurance service project in Singapore.

- (i) What level of manpower and capital has the board allocated to support this new business endeavour?**

Response from the Company

As stated in the Company's announcement dated 2 February 2024 on the Company's response to queries from the Singapore Exchange Regulation, the Group is leveraging on its existing resources and assets under its testing and assessment division and certification division, and other testing facilities owned by the Group to provide ESG disclosure and sustainability report assurance service. Accordingly, the Group's expansion into the ESG disclosure and sustainability report assurance service does not require substantial capital injection or investments in resources and assets, and thus is not expected to have an adverse impact on the Group's gearing and working capital.

- (ii) What was the process of acquiring new customers, and what strategy is in place for customer acquisition?**

Response from the Company

Participation in exhibitions, organising free webinars, and distributing printed sustainability reports of the Company as a reference are currently some avenues which the Group is embarking on to get leads in this new business.

- (iii) **Could management outline the typical scope of an engagement, including the number of experts involved and the duration of their involvement in a project?**

Response from the Company

The scope of engagement for a listco is often related to sustainability reporting (SR) under SGX requirements. However, for non-listco remains on GHG accounting and reporting either to comply CBAM or remain relevant in the Supply-Chain of the listco. Each project will typically be assigned to one manager, and it will take approximately 2 to 4 weeks to complete depending on the scope of engagement.

- (iv) **Have targets been set by the board for management regarding the new ESG reporting service segment?**

Response from the Company

Yes, a five-year target was presented by the management of the Company (the "Management") to the Board during the last Board meeting.

SIAS Question 3

As noted in the offer document, the company had engaged an internal auditor, Baker Tilly Monteiro Heng Governance Sdn. Bhd., to perform a review of the group's internal control framework and risk management system for the purpose of the IPO.

The scope of the internal controls review included:

- (a) corporate governance and risk management,
- (b) revenue, billing, sales and pricing, and accounts receivables,
- (c) business development and marketing procedures,
- (d) purchasing, expenses and accounts payable, vendor and contractor management,
- (e) financial management, general control environment and interested party transactions,
- (f) general accounting controls, bank and cash management,
- (g) personal data protection procedures,
- (h) human resource functions and payroll management,
- (i) fixed assets management, and
- (j) general information technology and application controls, and data recovery management.

- i. **What were the recommendations by Baker Tilly following its review of the group's internal control framework and risk management system?**

Response from the Company

The recommendations by Baker Tilly for its high priority findings for purpose of the IPO are as follows:

- (a) Baseline password parameter settings should be enabled for all applications in use by the Group (including the Group's Laboratory Management System ("LMS application") and Master financial accounting application); and
- (b) A formalized change management process should be established for the LMS application. Change management process establishes a mechanism whereby all change requests follow a structured process from request to execution. The following should also be disclosed in the change request form: (aa) Responsibilities for appropriate approvals should be identified; and (bb) separation of staff who are responsible for development and testing of any changes, from the staff that has access to the production environment to load any changes.

High priority findings refer to findings that have fundamental significance, financial materiality or time sensitive to the Group and thus, immediate attention of the Directors and/or Management of the Group is required.

- ii. **Have all the recommendations been fully and satisfactorily implemented by management?**

Response from the Company

All the recommendations have been fully and satisfactorily implemented by the Management.

- iii. **How closely does the audit committee oversee**

Response from the Company

The internal auditor prepares the annual internal audit plan based on a high-level risk assessment, and submit the said plan to the Management and the Audit Committee for review. The Audit Committee will review and approve the annual internal audit plan for execution. The internal auditor will report their findings and recommendations to the Audit Committee for its review.

The Audit Committee will also meet with the internal auditor without the presence of the Management, at least once annually, to review the adequacy of the audit arrangement, with emphasis on scope and quality of the audit, the independence, objectivity and observations of the internal auditor.

By Order of the Board

Ooi Shu Geok
Executive Director and Chief Executive Officer
23 April 2024

*This announcement has been prepared by LMS Compliance Limited (the “**Company**”) and its contents have been reviewed by the Company’s sponsor, ZICO Capital Pte. Ltd. (the “**Sponsor**”), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalyst.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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