



LMS Compliance Ltd.
Company Registration No.: 202225544C
(Incorporated in the Republic of Singapore)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2023

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

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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Condensed Interim Consolidated Statement of Comprehensive Income For the second half year and financial year ended 31 December 2023

	Note	Group					
		6 months ended		Increase/ (Decrease) %	12 months ended		Increase/ (Decrease) %
		31.12.23 RM'000	31.12.22 RM'000		31.12.23 RM'000	31.12.22 RM'000	
Revenue	4	10,982	9,902	10.9%	20,902	18,676	11.9%
Other items of income							
Interest income		166	47	>100%	208	51	>100%
Other income	5	1,044	111	>100%	1,794	321	>100%
Items of expense							
Materials, consumables and subcontractor costs		(1,060)	(1,106)	-4.2%	(1,823)	(1,902)	-4.2%
Depreciation expenses	6	(581)	(555)	4.7%	(1,137)	(1,078)	5.5%
Loss allowance on receivables, net		(1)	(24)	-95.8%	(119)	(24)	>100%
Employee benefits expense		(4,683)	(3,474)	34.8%	(8,444)	(6,693)	26.2%
Other expenses		(1,892)	(5,757)	-67.1%	(3,610)	(6,729)	-46.4%
Finance costs	7	(89)	(109)	-18.3%	(178)	(210)	-15.2%
Profit/(Loss) before income tax	8	<u>3,886</u>	<u>(965)</u>	n.m.	<u>7,593</u>	<u>2,412</u>	>100%
Income tax expense	9	(1,049)	(973)	7.8%	(2,112)	(1,692)	24.8%
Profit/(Loss) for the financial period/year		<u><u>2,837</u></u>	<u><u>(1,938)</u></u>	n.m.	<u><u>5,481</u></u>	<u><u>720</u></u>	>100%
Other comprehensive income:							
<i>Item that may be reclassified subsequently to profit or loss:</i>							
- Exchange differences on translating foreign operation		(8)	(3)		(6)	(4)	
Total comprehensive income for the financial period/year		<u><u>2,829</u></u>	<u><u>(1,941)</u></u>		<u><u>5,475</u></u>	<u><u>716</u></u>	
Profit/(Loss) attributable to owners of the Company		<u><u>2,837</u></u>	<u><u>(1,938)</u></u>		<u><u>5,481</u></u>	<u><u>720</u></u>	
Total comprehensive income attributable to owners of the Company		<u><u>2,829</u></u>	<u><u>(1,941)</u></u>		<u><u>5,475</u></u>	<u><u>716</u></u>	
Earnings/(Loss) per Share							
- Basic and diluted (cents)	10	<u>3.24</u>	<u>(2.58)</u>		<u>6.27</u>	<u>0.98</u>	

Note:

(1) "n.m." denotes not meaningful.

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Condensed Interim Statements of Financial Position
As at 31 December 2023

	Note	Group		Company	
		As at 31.12.23 RM'000	As at 31.12.22 RM'000	As at 31.12.23 RM'000	As at 31.12.22 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	7,580	7,287	-	-
Right-of-use assets		1,429	1,669	-	-
Investment in subsidiaries	12	-	-	160	160
Total non-current assets		9,009	8,956	160	160
Current assets					
Trade and other receivables	13	3,206	2,905	6,660	5,300
Prepayments		437	215	130	110
Contract assets		116	209	5	-
Financial assets at fair value through profit or loss ("FVTPL")	14	7,083	6,974	-	-
Cash and cash equivalents		17,231	12,313	14,105	10,652
Total current assets		28,073	22,616	20,900	16,062
Total assets		37,082	31,572	21,060	16,222
EQUITY AND LIABILITIES					
Equity					
Share capital	15	11,292	11,292	11,292	11,292
Reserves		2,170	2,176	-	-
Retained earnings		17,719	12,689	5,081	500
Total equity		31,181	26,157	16,373	11,792
Non-current liabilities					
Other payables	16	186	233	-	-
Bank borrowings	17	970	1,052	-	-
Lease liabilities		1,397	1,622	-	-
Deferred tax liabilities		406	411	-	-
Total non-current liabilities		2,959	3,318	-	-
Current liabilities					
Trade and other payables	16	2,074	1,310	4,609	4,430
Bank borrowings	17	89	87	-	-
Lease liabilities		246	242	-	-
Contract liabilities		350	400	23	-
Income tax payable		183	58	55	-
Total current liabilities		2,942	2,097	4,687	4,430
Total liabilities		5,901	5,415	4,687	4,430
Total equity and liabilities		37,082	31,572	21,060	16,222



Condensed Interim Statements of Changes in Equity
For the financial year ended 31 December 2023

<u>Group</u>	Share capital RM'000	Foreign currency translation reserve RM'000	Merger reserve RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 January 2023	11,292	(4)	2,180	12,689	26,157
Profit for the financial year	-	-	-	5,481	5,481
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss:</i> Exchange differences on translating foreign operations, representing other comprehensive income for the financial year	-	(6)	-	-	(6)
Total comprehensive income for the financial year	-	(6)	-	5,481	5,475
Distribution to owners					
Dividend paid	-	-	-	(451)	(451)
Total transaction with owners	-	-	-	(451)	(451)
Balance as at 31 December 2023	11,292	(10)	2,180	17,719	31,181
Balance as at 1 January 2022	2,325	n.m.	12	11,969	14,306
Profit for the financial year	-	-	-	720	720
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss:</i> Exchange differences arising from translation of foreign operations	-	(4)	-	-	(4)
Total comprehensive income for the financial year	-	(4)	-	720	716
Contribution by owners					
Issuance of ordinary shares	12,718	-	-	-	12,718
Adjustment pursuant to restructuring exercise	(2,325)	-	2,168	-	(157)
Share issue expenses	(1,426)	-	-	-	(1,426)
Total transaction with owners	8,967	-	2,168	-	11,135
Balance as at 31 December 2022	11,292	(4)	2,180	12,689	26,157

Note:

(1) "n.m." denotes not meaningful as the amount is less than RM1,000.



Company

	Share capital RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 January 2023	11,292	500	11,792
Profit for the financial year	-	5,032	5,032
Total comprehensive income for the financial year	-	5,032	5,032
Distribution to owners			
Dividend paid	-	(451)	(451)
Total transaction with owners	-	(451)	(451)
Balance as at 31 December 2023	11,292	5,081	16,373
Balance as at 1 January 2022	-	-	-
Profit for the financial year	-	500	500
Total comprehensive income for the financial year	-	500	500
Contribution by owners			
Issuance of ordinary shares	12,718	-	12,718
Share issue expenses	(1,426)	-	(1,426)
Total transaction with owners	11,292	-	11,292
Balance as at 31 December 2022	11,292	500	11,792

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Condensed Interim Consolidated Statement of Cash Flows
For the financial year ended 31 December 2023

	Group	
	12 months ended	
	31.12.23 RM'000	31.12.22 RM'000
Operating activities		
Profit before tax	7,593	2,412
<i>Adjustments for :</i>		
Gain on unrealised foreign exchange differences	(751)	-
Bad debts written off	7	12
Depreciation of property, plant and equipment	879	809
Depreciation of right-of-use assets	258	269
Gain on disposal of right-of-use assets	(53)	-
Loss allowance on receivables, net	119	24
Property, plant and equipment written off	6	22
Fair value gain on financial assets at FVTPL	(61)	(82)
Interest expense	178	210
Interest income	(208)	(51)
Initial public offering fee	-	612
Operating profit before changes in working capital	<u>7,967</u>	<u>4,237</u>
Changes in working capital		
Trade and other receivables	(426)	(285)
Contract assets	93	(209)
Prepayments	(222)	528
Trade and other payables	711	(298)
Contract liabilities	(50)	154
Cash generated from operations	<u>8,073</u>	<u>4,127</u>
Income tax paid, net	(1,993)	(1,639)
Net cash from operating activities	<u>6,080</u>	<u>2,488</u>
Investing activities		
Purchase of property, plant and equipment	(1,178)	(790)
Proceeds from disposal of right-of-use assets	53	-
Interest income	11	-
Placement of financial assets at FVTPL	(3,450)	(2,460)
Redemption of financial assets at FVTPL	3,599	2,831
Net cash used in investing activities	<u>(965)</u>	<u>(419)</u>



Condensed Interim Consolidated Statement of Cash Flows (Continued)
For the financial year ended 31 December 2023

	Group	
	12 months ended	
	31.12.23	31.12.22
	RM'000	RM'000
Financing activities		
Dividends paid	(451)	-
Proceeds from issuance of ordinary shares	-	10,523
Repayment of principal portion of bank borrowings	(80)	(930)
Repayment of interest portion of bank borrowings	(53)	(74)
Repayment of principal portion of lease liabilities	(239)	(245)
Repayment of interest portion of lease liabilities	(125)	(136)
Net cash (used in)/from financing activities	<u>(948)</u>	<u>9,138</u>
Net changes in cash and cash equivalents	4,167	11,207
Cash and cash equivalents at beginning of financial year	12,313	1,106
Effects of currency translation on cash and cash equivalents	751	-
Cash and cash equivalents at end of financial year	<u>17,231</u>	<u>12,313</u>

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Notes to the Condensed Interim and Full Year Consolidated Financial Statements

1. Corporate Information

LMS Compliance Ltd. (the "Company", and together with its subsidiaries, the "Group") is a private limited liability company, incorporated and domiciled in Singapore on 22 July 2022 with its registered office at 138 Robinson Road #26-03 Singapore 068906 and principal place of business at No. 16, Lengkok Kikik Satu, Taman Inderawasih, 13600 Perai, Pulau Pinang. On 18 November 2022, the Company was converted into a public company limited by shares and its name was changed from LMS Compliance Pte. Ltd. to LMS Compliance Ltd.. On 1 December 2022, the Company successfully listed on the Catalist board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activity of the Company is that of investment holding and development of software and application pertaining to conformity assessment technology.

The Group is principally engaged in the provision of laboratory testing and assessment services, provision of certification services, trading of scientific instruments, chemicals, media and laboratory solutions, and the promotion and marketing of the Group's software and online applications.

Prior to the listing on the Catalist board of the SGX-ST on 1 December 2022, the Group undertook a restructuring exercise (the "Restructuring Exercise"). Please refer to the Company's offer document dated 22 November 2022 (the "Offer Document") for further details on the Restructuring Exercise.

These condensed interim consolidated financial statements for the six months financial period from 1 July 2023 to 31 December 2023 ("2H FY2023") and financial year ended 31 December 2023 ("FY2023") comprise the Company and its subsidiaries.

2. Basis of Preparation

As the Company was only incorporated on 22 July 2022 and the Restructuring Exercise was completed on 15 November 2022, the combined financial statements of the Group for the six months financial period from 1 July 2022 to 31 December 2022 ("2H FY2022") and financial year ended 31 December 2022 ("FY2022") presented in this announcement were prepared by applying the "pooling-of-interest" method. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period, as a single economic enterprise, although the legal parent-subsidary relationship were not established.

The condensed interim consolidated financial statements for the six months financial period from 1 July 2023 to 31 December 2023 ("2H FY2023") and financial year ended 31 December 2023 ("FY2023") have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and financial performance of the Group since the last condensed interim consolidated financial statements for the six months financial period from 1 January 2023 to 30 June 2023.



2. Basis of Preparation (Continued)

The accounting policies and methods of computation adopted are consistent with those adopted by the Company in the Group's most recently audited consolidated financial statements for the previous financial year which were prepared in accordance with Singapore Reporting Standards (International) ("SFRS(I)s"), except for the adoption of the new and amended standards as set out in Note 2.1 below.

The condensed interim consolidated financial statements are presented in Malaysia Ringgit ("RM"), which is the Company's functional currency and presentation currency. All values in the tables are rounded to the nearest thousand (RM'000), except when otherwise indicated.

2.1. New and amended standards adopted by the Group

A number of amendments to the standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

In preparing the condensed interim consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applies to the condensed interim consolidated financial statements as at and for the financial year ended 31 December 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next interim period included the following:

- 1) Loss allowance for trade and other receivables and contract assets

There were no critical judgements in applying accounting policies that expect to have a significant risk resulting in a material adjustment within the next reporting period.

3. Seasonal operations

The Group's business are not affected significantly by seasonal or cyclical factors during the financial period.



4. Segment and revenue information

4.1) Business segment

The Group has four primary business segments, which are testing and assessment segment, trading segment, certification services segment and provision of conformity assessment technology segment.

1. Testing and assessment business segment provides product safety testing and industry compliance assessment.
2. Trading business segment provides supplies in all kinds of scientific products, salts, medical and chemical preparation.
3. Certification services business segment provides ISO application, ISO certification, ISO conformity assessment, ISO education and provides training and management consultancy activities.
4. Provision of conformity assessment technology business segment provides database hosting for the Group's cloud-based applications.

Management does not monitor the operating results of the segment separately as the contribution of trading, certification, and provision of conformity assessment technology segments to the Group's profit, revenue and total assets are less than 5.0% respectively. Accordingly, the results of business segments are not presented separately.

4.2) Geographical information

During the financial years ended 31 December 2023 and 2022, the Group operated mainly in Malaysia and all non-current assets were located in Malaysia. Accordingly, an analysis of non-current assets and revenue of the Group by geographical distribution has not been presented.

4.3) Disaggregation of revenue

	Group			
	6 months ended		12 months ended	
	31.12.23 RM'000	31.12.22 RM'000	31.12.23 RM'000	31.12.22 RM'000
Type of goods or services				
Laboratory testing services	10,491	9,480	20,024	17,909
Certification services	269	134	422	237
Sales of goods	157	194	311	365
Distribution of conformity assessment technology	65	94	145	165
	<u>10,982</u>	<u>9,902</u>	<u>20,902</u>	<u>18,676</u>
Timing of transfer of goods and services				
Point-in-time	10,917	9,808	20,757	18,511
Over time	65	94	145	165
	<u>10,982</u>	<u>9,902</u>	<u>20,902</u>	<u>18,676</u>



4. Segment and revenue information (Continued)

4.4) Major customer

Except for one major single customer as listed below, there is no other single customer that accounted for 5.0% or more of the Group's total revenue in FY2023 and FY2022.

Customer	Type of service provided	Percentage contribution to total revenue (%)	
		FY2023	FY2022
One customer	Laboratory testing services	4.28%	5.71%

5. Other income

	Group			
	6 months ended		12 months ended	
	31.12.23	31.12.22	31.12.23	31.12.22
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of right-of-use assets	53	-	53	-
Government grant income	874	19	894	38
Government wage subsidy	13	21	27	116
Fair value gain on financial assets at FVTPL	(18)	38	61	82
Unrealized gain on exchange rate at foreign currency balance	120	-	751	-
Others	2	33	8	85
	1,044	111	1,794	321

6. Depreciation expenses

	Group			
	6 months ended		12 months ended	
	31.12.23	31.12.22	31.12.23	31.12.22
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	455	420	879	809
Depreciation of right-of-use assets	126	135	258	269
	581	555	1,137	1,078



7. Finance costs

	Group			
	6 months ended		12 months ended	
	31.12.23	31.12.22	31.12.23	31.12.22
	RM'000	RM'000	RM'000	RM'000
Lease liabilities interest	59	66	125	136
Bank borrowings interest	30	43	53	74
	<u>89</u>	<u>109</u>	<u>178</u>	<u>210</u>

8. Profit/(Loss) before income tax

8.1 Significant items

	Group			
	6 months ended		12 months ended	
	31.12.23	31.12.22	31.12.23	31.12.22
	RM'000	RM'000	RM'000	RM'000
<i>Materials, consumables and subcontractor costs</i>				
- Purchases	710	737	1,245	1,290
- Outsourcing cost	239	296	386	448
Short term and low value lease expenses				
- Tool and equipment	5	5	10	9
<i>Other expenses</i>				
Audit fee				
- Auditors of the Company	178	260	285	260
- Auditors of the subsidiaries	52	33	102	86
Non-audit fee				
(i) Audit related services				
- Auditors of the Company	-	888	-	888
- Auditors of the subsidiaries	8	-	8	-
(ii) Non-audit related services				
- Auditors of the Company	-	8	-	8
- Auditors of the subsidiaries	9	23	24	30
Bad debts written off	7	5	7	12
Property, plant and equipment written off	2	17	6	22
Loss on realised foreign exchange differences	10	5	35	1
Professional fee	398	38	741	139
Short term and low value lease expenses				
- Office equipment	10	11	19	21
Computer and information technology expenses	43	45	172	90
Utilities	178	160	340	311
Advertisement	93	46	222	87
Initial public offering fee ⁽ⁱ⁾	-	3,454	-	3,454

(i) The initial public offering fee is excluding amount paid to auditors of the Company.

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**8. Profit before income tax (Continued)****8.2 Related party transaction**

	Group		Company	
	As at 31.12.23 RM'000	As at 31.12.22 RM'000	As at 31.12.23 RM'000	As at 31.12.22 RM'000
With Directors				
Payment of expenses on behalf of the Group	188	194	-	-
Payment of expenses on behalf by the Group	-	5	-	-
Rental fee	294	294	-	-
With Subsidiaries				
Dividend declared	-	-	5,500	5,300
Expenses paid on behalf of the Company	-	-	2,322	4,038
Management fee income	-	-	1,145	-
Hosting maintenance fee	-	-	396	-

9. Income tax expense

	Group			
	6 months ended		12 months ended	
	31.12.23 RM'000	31.12.22 RM'000	31.12.23 RM'000	31.12.22 RM'000
Current income tax expenses				
- current tax	1,083	1,008	2,079	1,651
- under/(over) provision of income tax expenses in respect of prior financial years	39	(50)	39	(50)
	1,122	958	2,118	1,601
Deferred tax expenses				
- relating to origination and reversal of temporary differences	(73)	15	(6)	27
- under provision of deferred tax expense in respect of prior financial years	-	-	-	64
	(73)	15	(6)	91
Total income tax expenses recognised in consolidated statement of comprehensive income	1,049	973	2,112	1,692



10. Earnings per share

	Group			
	6 months ended		12 months ended	
	31.12.23	31.12.22	31.12.23	31.12.22
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to owners of Company (RM'000)	2,837	(1,938)	5,481	720
Weighted average number of ordinary shares	87,435,000	74,996,479	87,435,000	73,234,343
Earnings/(Loss) per share (sen) - Basic and diluted	3.24	(2.58)	6.27	0.98

The calculation of basic earnings per share for the six-month financial period and financial year ended 31 December 2023 is based on profit attributable to owners of the Company for the respective financial period divided by weighted average number of ordinary shares in issues for the respective financial period of 87,435,000 ordinary shares.

The calculation of basic (loss)/earnings per share for each of the six-month financial period and financial year ended 31 December 2022 is based on (loss)/profit attributable to owners of the Company for the respective financial periods divided by weighted average number of ordinary shares in issue for the respective financial periods of 74,996,479 and 73,234,343 ordinary shares respectively. The weighted average number of ordinary shares in issue is computed based on 750 issued and paid-up shares as at incorporation, adjusted for the issue of (i) 50,635 new ordinary shares pursuant to the Restructuring Exercise (but prior to the Share Split); (ii) 72,508,615 new ordinary shares pursuant to the share split exercise of sub-dividing 51,385 existing ordinary shares into 72,560,000 shares ("Share Split"); (iii) 14,000,000 new ordinary shares (post-Share Split) pursuant to the placement exercise in connection with the listing of the Company; and (iv) 875,000 new ordinary shares (post-Share Split) as part satisfaction of management fees paid to the Company's Sponsor and Issue Manager in connection with the listing of the Company.

The number of ordinary shares used for the calculation of earnings/(loss) per share in a common control combination, which is accounted for using merger accounting, as to aggregate of the number of shares of the Company whose shares are outstanding after combination.

The diluted earnings/(loss) per share for the relevant financial periods are the same as the basic earnings/(loss) per share as there were no dilutive potential ordinary shares for the relevant financial periods.

11. Property, plant and equipment

During the second half and full year ended 31 December 2023, the Group acquired assets amounting to RM0.80 million (2H FY2022: RM0.17 million) and RM1.18 million (31 December 2022 : RM0.79 million) respectively. There were no property, plant and equipment disposed during the respective financial years.



12. Investment in subsidiaries

	Company	
	As at 31.12.23 RM'000	As at 31.12.22 RM'000
Unquoted equity investments, at cost	160	160
Unquoted equity investments, at cost		
Balance at date of incorporation	160	-
Addition during the financial year	-	160
Balance at end of financial year	160	160

13. Trade and other receivables

	Group		Company	
	As at 31.12.23 RM'000	As at 31.12.22 RM'000	As at 31.12.23 RM'000	As at 31.12.22 RM'000
Trade receivables				
- Third parties	3,345	2,964	-	-
- Amount owing by subsidiaries	-	-	15	-
Less: Loss allowance on receivables	(273)	(154)	-	-
	3,072	2,810	15	-
Other receivables				
- Third parties	67	29	-	-
- Amount owing by subsidiaries	-	-	6,645	5,300
	67	29	6,645	5,300
Deposits	67	66	-	-
	134	95	6,645	5,300
	3,206	2,905	6,660	5,300

14. Financial assets at FVTPL

	Group	
	6 months ended 31.12.23 RM'000	31.12.22 RM'000
Money market funds		
Balance at end of financial year	7,083	6,974
Balance at 1 July	9,343	7,614
Placements during the financial period	1,000	1,270
Redemptions during the financial period	(3,399)	(1,980)
Interest income	157	46
Fair value (loss)/gain recognised through profit or loss	(18)	24
Balance at end of financial year	7,083	6,974



15. Share capital

	Group		Company	
	Number of ordinary shares	RM'000	Number of ordinary shares	RM'000
2023				
At the beginning and the end of the financial year	87,435,000	11,292	87,435,000	11,292
2022				
Issued and fully-paid				
Balance at beginning of financial period ⁽ⁱ⁾	2,325,000	2,325	-	-
Issuance of shares ⁽ⁱⁱ⁾	750	2	750	2
Issuance of shares ⁽ⁱⁱⁱ⁾	50,635	157	50,635	157
Adjustment pursuant to restructuring exercise ⁽ⁱⁱⁱ⁾	(2,325,000)	(2,325)	-	-
	51,385	159	51,385	159
Sub-division of shares ^(iv)	72,560,000	-	72,560,000	-
Issuance of sponsor fee shares ^(v)	875,000	739	875,000	739
Issuance of shares pursuant to an initial public offering exercise ^(vi)	14,000,000	11,820	14,000,000	11,820
Expenses related to share issuance ^(vii)	-	(1,426)	-	(1,426)
Balance at end of financial year	87,435,000	11,292	87,435,000	11,292

- (i) The share capital of the Group as at 31 December 2021 represented the aggregation of the Group's interest in the issued and paid up capital of all subsidiaries under common control.
- (ii) On 22 July 2022, the Company issued 750 ordinary shares for a total cash consideration of S\$750, which is approximately RM2,000.
- (iii) On 11 October 2022, the Company issued 50,635 ordinary shares at an approximate issue price of RM3.10 per share for a total consideration of RM157,000 for the purpose of acquiring 1% ordinary share of Malaysia subsidiaries on behalf of MY CO2 Group. Pursuant to the restructuring exercise, the Company acquired entire equity interest in Malaysia subsidiaries via MY CO2 Group.
- (iv) On 15 November 2022, the shareholders of the Company approved the sub-division of ordinary shares into 72,560,000 ordinary shares in the issued share capital of the Company.
- (v) On 30 November 2022, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 875,000 new ordinary shares at an issue price of S\$0.26, which is approximately RM0.84 per ordinary share amounting to RM739,000 as payment of professional fee, which RM127,000 was capitalised against the share capital of the Company.
- (vi) On 30 November 2022, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 14,000,000 new ordinary shares at an issue price of RM0.84 per ordinary share for cash consideration of RM11,820,000 pursuant to an initial public offering.

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**15. Share capital (Continued)**

(vii) Share issuance expenses consist of, among others, an allocation portion of professional fees paid to the sponsor and auditors of the Company in respect of professional services rendered as professional service and independent reporting accountants respectively in connection with the Company's initial public offering. The allocation portion of professional fees paid to the sponsor and auditors of the Company amounted to RM225,000 and RM169,000 respectively.

The holders of ordinary shares are entitled to receive dividends as and when declared by the subsidiaries. All ordinary shares have no par value and carry one vote per ordinary share without restriction.

The Company has no outstanding convertibles, treasury shares or subsidiary holdings as at 31 December 2023 and 31 December 2022.

16. Trade and other payables

	Group		Company	
	As at 31.12.23 RM'000	As at 31.12.22 RM'000	As at 31.12.23 RM'000	As at 31.12.22 RM'000
Non-current				
Deferred grant income	186	233	-	-
Current				
Trade payables				
- Third parties	154	116	-	-
- Subsidiaries	-	-	1	-
	154	116	1	-
Other payables				
- Third parties	214	210	112	120
- Subsidiaries	-	-	3,749	4,095
Accrued expenses	1,282	572	747	215
Deferred grant income	38	38	-	-
Sales and service tax ("SST")	386	374	-	-
	1,920	1,194	4,608	4,430
	2,260	1,543	4,609	4,430

17. Bank borrowings

	Group	
	As at 31.12.23 RM'000	As at 31.12.22 RM'000
Current		
Term loan	89	87
Non-current		
Term loan	970	1,052
Total	1,059	1,139



17. Bank borrowings (Continued)

	Group	
	As at 31.12.23 RM'000	As at 31.12.22 RM'000
Secured		
Term loan	1,059	1,139
	<u>1,059</u>	<u>1,139</u>

Term loans are repayable over 240 monthly instalments comprising principal and interest.

Term loans are secured by freehold land and building of the Group and are supported by a guarantee provided by the Directors of the Group.

18. Net asset value ("NAV")

	Group		Company	
	As at 31.12.23	As at 31.12.22	As at 31.12.23	As at 31.12.22
NAV (RM'000)	31,181	26,157	16,373	11,792
Number of ordinary shares in issue ('000)	87,435	87,435	87,435	87,435
NAV per ordinary share (RM)	0.36	0.30	0.19	0.13

19. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group and Company as at 31 December 2023 and 31 December 2022:

	Group		Company	
	As at 31.12.23 RM'000	As at 31.12.22 RM'000	As at 31.12.23 RM'000	As at 31.12.22 RM'000
Financial assets				
Loans and receivables, at amortised cost	20,437	15,218	20,765	15,952
Financial asset at FVTPL	7,083	6,974	-	-
	<u>27,520</u>	<u>22,192</u>	<u>20,765</u>	<u>15,952</u>
Financial liabilities				
Other financial liabilities, at amortised cost	4,352	3,901	4,609	4,430

20. Subsequent events

There are no known subsequent events which have led to adjustment to this set of financial statements.



Other Information Required by Appendix 7C of the Catalist Rules

- 1. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The condensed consolidated statement of financial position of LMS Compliance Ltd. and its subsidiaries as at 31 December 2023 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period and full year then ended and the explanatory notes have not been audited or reviewed.

Where the latest financial statements are subject to an adverse opinion, qualified opinion, or disclaimer of opinion:

- (i) Updates on the efforts taken to resolve each outstanding audit issue.**
- (ii) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

Not applicable. The latest audited consolidated financial statements of the Group for the financial year ended 31 December 2022 was not subject to any adverse opinion, qualified opinion, or disclaimer of opinion.

- 2. A review of the performance of the group**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Review for the performance of the Group for the twelve months ended 31 December 2023 ("FY2023") as compared to twelve months ended 31 December 2022 ("FY2022").

Revenue

Revenue increased by RM2.23 million or 11.9%, mainly due to an increase in revenue from laboratory testing services by RM2.12 million, and certification services by RM0.18 million, partially offset by decrease in revenue from sales of goods by RM0.05 million and distribution of conformity assessment technology by RM0.02 million.

The increase in revenue from laboratory testing services was mainly due to an increase in demand from the Group's customers in the food, medical devices and environmental industries.

Interest Income

The increase in interest income of RM0.16 million mainly resulted from dividends received from financial assets at FVTPL.



2. **A review of the performance of the group (Continued)**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Other Income

Other income increased by RM1.47 million, mainly due to (i) increase in government grant income of RM0.85 million as result of receiving the listing grant under the Grant for Equity Market Singapore (GEMS) scheme in connection with the Company's initial public offering on Singapore Exchange, (ii) an adjustment for unrealised gain in foreign exchange at foreign currency balance of RM0.74 million, and (iii) gain on disposal of right-of-use asset of RM0.05 million, partially offset by decrease in government wage subsidy of RM0.09 million, decrease in fair value gain on financial assets at FVTPL of RM0.02 million, and a decrease in insurance claim of RM0.06 million.

Material, consumables, and subcontractor costs

Material, consumables, and subcontractor costs decreased by RM0.08 million or 4.2%, mainly due to a reduction in maintenance costs related to laboratory machinery and equipment as there were lesser breakdowns during the year. Additionally, the acquisition of new machinery and equipment during FY2023 played a role in reducing overall maintenance requirements.

Depreciation expenses

Depreciation expenses increased by RM0.06 million or 5.5%, mainly due to additional purchase of tools and equipment, computer and software, and motor vehicles in FY2023.

Loss allowance on receivables, net

The Group recorded a net loss allowance on receivables of RM0.12 million in FY2023, as compared to net loss allowance on receivables of RM0.02 million in FY2022, mainly due to an increase in trade debtors and a lower collection rate from trade debtors during FY2023.

Employee benefit expenses

Employee benefit expenses increased by RM1.75 million or 26.2%, mainly due to payment of bonus to executive directors of the Company, increase in the headcount of employees, and salary increments implemented during FY2023.

Other expenses

Other expenses decreased by RM3.12 million or 46.4%, mainly due to the absence of listing expenses incurred in FY2022. The decrease was partially offset by higher professional fees incurred after the Company's listing on the Singapore Exchange, along with increased advertisement fees, provisions for doubtful debts, and expenses related to the upgrading of Information Technology (IT) facilities for laboratory operational purposes.

Finance costs

Finance costs decreased by RM0.03 million or 15.2%, mainly due to the full settlement of one term loan in October 2022 and the decrease in lease and borrowing interest expenses year-on-year.



2. **A review of the performance of the group (Continued)**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net profit before tax

As a result, the Group's net profit before tax increased by RM5.18 million or 214.8%, from RM2.41 million in FY2022 to RM7.59 million in FY2023.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Non-current Assets

Property, plant and equipment increased from RM7.29 million as at 31 December 2022 to RM7.58 million as at 31 December 2023, mainly due to additions of assets, partially offset by an increase in depreciation and write-off of assets during FY2023.

Right-of-use assets decreased by RM0.24 million, mainly due to depreciation of right-of-use assets during FY2023.

Current Assets

Trade and other receivables increased by RM0.30 million, mainly due to an increase in tandem of revenue and slightly lower collection rate in FY2023, as compared to FY2022.

Prepayments increased by RM0.22 million, mainly due to additional prepaid amounts related to ongoing laboratory renovation.

The Group's contract assets decreased by RM0.09 million, mainly due to the reduced requirement of a single customer for the compilation of jobs performed into one billing.

Financial assets at FVTPL increased by RM0.11 million as at 31 December 2023, mainly due to additional placements of money market funds with financial institutions, interest income and fair value gain of approximately RM3.45 million, RM0.20 million and RM0.06 million respectively, partially offset by withdrawal of the Group's investments in money market funds of RM3.60 million.

Cash and cash equivalents amounted to RM17.23 million which accounted for 61.4% of the Group's total current assets as at 31 December 2023. The increase was mainly due to net cash generated from operating activities of RM6.08 million, partially offset by net cash used in investing activities and financing activities of RM0.97 million and RM0.95 million respectively.

Non-current Liabilities

Bank borrowings decreased from RM1.05 million as at 31 December 2022 to RM0.97 million as at 31 December 2023, due to repayment of loan during FY2023.

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2. A review of the performance of the group (Continued) **CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)** Non-current Liabilities (Continued)

Other payables relates to deferred grant income received from SME Corporation Malaysia and grant received from Malaysian Investment Development Authority during FY2023 for capital expenditure incurred for the purchases of laboratory related equipment. Other payables decreased by RM0.04 million mainly due to the recognition of grant received as other income on a monthly basis.

Lease liabilities decreased from RM1.62 million as at 31 December 2022 to RM1.40 million as at 31 December 2023, mainly due to lease payments made in FY2023.

Deferred tax liabilities relate to temporary differences arising from the accelerated tax depreciation computed at Malaysia's income tax rate of 24%. Deferred tax liabilities amounted to RM0.41 million and RM0.41 million which accounted for 12.4% and 14.0% of the Group's total non-current liabilities as at 31 December 2022 and 31 December 2023 respectively.

Current Liabilities

Trade and other payables increased by RM0.76 million, mainly due to increase in accrued expenses related to executive directors' bonuses, audit fees, staff bonuses, and salaries.

Contract liabilities relate to goods or services (mainly laboratory testing services) for which the Group has received consideration in advance from customers, but has yet to provide such goods or services. Contract liabilities amounted to RM0.40 million and RM0.35 million which accounted for 19.1% and 11.9% of the Group's total current liabilities as at 31 December 2022 and 31 December 2023 respectively. The decrease in contract liabilities as at 31 December 2023 was due to decrease in payment in advance from customers for goods which have yet be delivered as at 31 December 2023.

Income tax payable increased by RM0.12 million, from RM0.06 million as at 31 December 2022 to RM0.18 million as at 31 December 2023, mainly due to higher tax provisions and payments made during FY2023. As a result of the Company's change in group structure after being listed, the tax rate in Malaysia now uniformly applies at 24%, rendering the previous benefit of enjoying a 17% tax rate on the first RM600,000 of chargeable income no longer applicable.

The Group recorded a positive working capital of RM25.13 million as at 31 December 2023, as compared to a positive working capital of RM20.52 million as at 31 December 2022.

CONSOLIDATED STATEMENT OF CASH FLOW

Net cash from operating activities for FY2023 of RM6.08 million was mainly derived from operating cash flows before working capital changes of RM7.96 million and adjusted net working capital inflow of RM0.11 million, partially offset by income tax paid of RM1.99 million.



2. A review of the performance of the group (Continued)
CONSOLIDATED STATEMENT OF CASH FLOW (Continued)

Net cash used in investing activities for FY2023 was approximately RM0.97 million, mainly due to purchases of property, plant and equipment of RM1.18 million and placement of financial assets at FVTPL of RM3.45 million, partially offset by redemption of financial assets at FVTPL of RM3.60 million, gain on disposal of right-of-use assets of RM0.05 million and interest income of RM0.01 million.

Net cash used in financing activities for FY2023 was RM0.95 million. This outflow was primarily driven by the settlement of bank borrowings and repayment of other bank borrowings amounting to an aggregate of RM0.13 million, repayment of lease liabilities of RM0.37 million, and dividends paid in FY2023 of RM0.45 million.

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

In the trend information disclosed in the section entitled “General Information on our Group - Trend Information” of the Offer Document, the Company indicated that, inter alia, (i) it expects the Group’s revenue, materials, consumables and subcontractor costs, depreciation expenses as well as employee benefits expenses in FY2023 to increase vis-à-vis FY2022; and (ii) it expects the Group’s other expenses in FY2023 to decrease vis-à-vis FY2022 (“Prospect Statement”).

The unaudited financial results of the Group for FY2023 as set out in this announcement (“Actual Results”) are in line with the Prospect Statement in respect of the increase in the Group’s revenue, depreciation expenses and employee benefits expenses in FY2023 as well as the decrease in the Group’s other expenses in FY2023. There is a variance between the Actual Results and the Prospect Statement in respect of the Group’s materials, consumables and subcontractor costs, which decreased slightly by 4.2% in FY2023 vis-à-vis FY2022 as a result of the reasons set out under section 2 above on the review of the performance of the Group.

4. A commentary at the date of the announcement of significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may effect the group in the next reporting period and the next 12 months

In 2024, ASEAN economies are expected to grow steadily by over 4%, driven by Southeast Asia’s shift to a green economy, backed by a projected investment of \$1.5 trillion by 2030. The rise in green technology has increased the demand for laboratory testing services to ensure compliance, safety, and innovation.

As a market leader, we take pride in facilitating this transition and leverage new technologies like automation and Artificial Intelligence (“AI”) for testing efficiency. The growing focus on Environmental, Social, and Governance (ESG) reporting, prompted by regulatory changes and investor interest, is met with our expanded services. We now offer comprehensive ESG reporting through real-time data collection, aligning with sustainable business practices.

With stable growth expected, our expansion plans involve strategic alliances and acquisitions, focusing on countries like Singapore, Indonesia, and China, to enhance our portfolio and deliver more value to clients.



5. Dividend information

5.1 If a decision regarding dividend has been made:

- (a) Whether an interim (final and special) ordinary dividend has been declared (recommended)

Yes.

Name of dividend	: Final
Dividend type	: Cash
Dividend rate (S\$ cents)	: 0.35 cents per share
Tax rate	: Tax exempt (one-tier)

Name of dividend	: Special
Dividend type	: Cash
Dividend rate (S\$ cents)	: 0.97 cents per share
Tax rate	: Tax exempt (one-tier)

The proposed final and special dividends are subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held in April 2024.

- (b) Corresponding period of the immediately preceding financial year

Name of dividend	: Final
Dividend type	: Cash
Dividend rate (S\$ cents)	: 0.15 cents per share
Tax rate	: Tax exempt (one-tier)

- (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)

Tax exempt (one-tier).

- (d) Date payable

To be announced at a later date, subject to shareholders' approval of the proposed final and special dividends at the forthcoming annual general meeting of the Company to be held in April 2024.

- (e) Record date

To be announced at a later date, subject to shareholders' approval of the proposed final and special dividends at the forthcoming annual general meeting of the Company to be held in April 2024.

5.2 If no dividend has been declared/recommended, a statement to that effect and the reason for the decision.

Not applicable.

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6. Interested person transactions

The Group does not have a general mandate from shareholders for interested person transactions (“IPT”).

There were no IPTs of S\$100,000 and above entered into by the Group in FY2023.

7. Disclosure of acquisition (including incorporations) and sales of share under Catalist Rule 706A

The Group did not have any acquisitions (including incorporations) and realisations of shares for the current financial period and year.

8. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Catalist Rule 720(1)

The Company confirms that all the required undertakings under Rule 720(1) of the Catalist Rules have been obtained from all its directors and executive officers in the format set out in Appendix 7H of the Catalist Rules.

9. Use of IPO Proceeds

Pursuant to the initial public offering (“IPO”) of the Company on the Catalist board of the SGX-ST on 1 December 2022, the Company raised total net proceeds (after deducting expenses incurred in connection with the IPO) amounting to S\$2.04 million (“Net Proceeds”). The use of the Net Proceeds is summarized as follows:

	Amount allocated (as disclosed in the Offer Document) (S\$'000)	Amount utilised as at 31 December 2023 (S\$'000)	Balance of Net Proceeds as at 31 December 2023 (S\$'000)
Expansion of the Group’s certification services segment and conformity assessment technology distribution segment	300	169	131
Acquisitions, joint ventures and strategic alliances to expand the Group’s business	1,200	-	1,200
General working capital	538	513	25
Total	2,038	682	1,356



9. Use of IPO Proceeds (Continued)

The breakdown of the use of Net Proceeds for general working capital purposes of the Group is as follows:

	<u>S\$'000</u>
Professional fee	192
Director fee	84
Audit fee	77
Advertisement	48
Traveling and accommodation	29
Insurance	17
Secretarial fee	12
Training fee	16
Printing and stationery	10
Miscellaneous expenses	28
Total	<u><u>513</u></u>

The use of the Net Proceeds is in accordance with the intended uses and allocations as disclosed in the Offer Document. The Board will continue to provide periodic announcements on the utilisation of the balance of the Net Proceeds as and when such proceeds are materially disbursed or utilised, and whether such use is in accordance with the stated use and in accordance with the allocations. The Company will also provide a status report on the use of the Net Proceeds in its annual report(s) and financial results announcement(s).

10. A breakdown of sales

	FY2023 RM'000	FY2022 RM'000	Increase / (Decrease) %
(a) Sales reported for first half year	9,920	8,774	13.06%
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	2,644	2,658	-0.53%
(c) Sales reported for second half year	10,982	9,902	10.91%
(d) Operating profit/(loss) after tax before deducting non-controlling interests reported for second half year	2,837	(1,938)	n.m.

Note:

(1) "n.m." denotes not meaningful.

11. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

	FY2023 S\$'000	FY2022 S\$'000
Ordinary shares (tax exempt one-tier)		
- Interim dividend	-	-
- Final dividend	306	131
- Special dividend	848	-
Total Annual Dividend	<u><u>1,154</u></u>	<u><u>131</u></u>



12. Disclosure of persons occupying managerial positions who are related to a director, CEO or substantial shareholder

Name	Age	Family Relationship with any Director and/or Chief Executive Officer and/or Substantial Shareholder	Current position and duties, and the year position was first held	Detail of changes in duties and position held, if any, during the year
Ooi Wan Koon	41	Sister of Dr. Ooi Shu Geok (Executive Director and Chief Executive Officer of the Company)	<p>Chief People Officer of the Group (first held in year 2021)</p> <p>Responsible for the overall HR management function ensuring that there are adequate staffs with the correct skills, knowledge and ability to support the Company's business operations. The HRM shall be well verse with statutory requirements and responsible for ensuring that all HR related matters are managed in a fair and mutually beneficial manner.</p>	N/A
Chong Tze Kean	49	Brother of Ms. Chong Moi Me (Executive Director and Chief Development Officer of the Company)	<p>Assistant Compliance Advisory Manager in MY CO2 (PG) Sdn. Bhd., a subsidiary of the Company (first held in year 2022)</p> <p>Primarily responsible for sales and business growth as per agreed yearly targets. The Assistant Compliance Advisory Manager shall also be responsible for driving brand growth and progressively building the Company's market presence.</p>	N/A

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BY ORDER OF THE BOARD

Ooi Shu Geok
Executive Director and Chief Executive Officer
27 February 2024