



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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 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 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.

The contact person for the Sponsor is Mr. Alex Tan, Chief Executive Officer, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, telephone (65) 66364201.



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**Condensed Interim Consolidated Statement of Comprehensive Income**

	Note	Group		<i>Increase/ (Decrease) %</i>
		6 months ended		
		30.06.23 RM'000	30.06.22 RM'000	
Revenue	4	9,920	8,774	13.1%
<i>Other item of income</i>				
Interest income		42	4	>100%
Other income	5	750	225	>100%
<i>Items of expense</i>				
Materials, consumables and subcontractor costs		(764)	(796)	-4.0%
Depreciation expenses	6	(556)	(523)	6.3%
Loss allowance on trade receivables		(118)	-	100.0%
Employee benefits expense		(3,760)	(3,219)	16.8%
Other expenses		(1,718)	(987)	74.1%
Finance costs	7	(89)	(101)	-11.9%
Profit before income tax	8	<u>3,707</u>	<u>3,377</u>	9.8%
Income tax expense	9	(1,063)	(719)	47.8%
Profit for the financial period		<u><u>2,644</u></u>	<u><u>2,658</u></u>	-0.5%
Other comprehensive income:				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
- Exchange differences on translating foreign operation		2	(1)	
Total comprehensive income for the financial period		<u><u>2,646</u></u>	<u><u>2,657</u></u>	
Profit attributable to owners of the Company		<u>2,644</u>	<u>2,658</u>	
Total comprehensive income attributable to owners of the Company		<u><u>2,646</u></u>	<u><u>2,657</u></u>	
Earnings per Share				
- Basic and diluted (RM cents)	10	<u>3.02</u>	<u>3.72</u>	

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**Condensed Interim Statements of Financial Position**

	Note	Group		Company	
		As at 30.06.23 RM'000	As at 31.12.22 RM'000	As at 30.06.23 RM'000	As at 31.12.22 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	7,237	7,287	-	-
Right-of-use assets		1,555	1,669	-	-
Investment in subsidiaries	12	-	-	160	160
Total non-current assets		8,792	8,956	160	160
Current assets					
Trade and other receivables	13	3,129	2,905	5,300	5,300
Prepayments		284	215	125	110
Contract assets		46	209	-	-
Financial assets at fair value through profit or loss ("FVTPL")	14	9,343	6,974	-	-
Cash and bank balances		12,616	12,313	11,144	10,652
Total current assets		25,418	22,616	16,569	16,062
Total assets		34,210	31,572	16,729	16,222
EQUITY AND LIABILITIES					
Equity					
Share capital	15	11,292	11,292	11,292	11,292
Reserves		2,178	2,176	-	-
Retained earnings		15,333	12,689	284	500
Total equity		28,803	26,157	11,576	11,792
Non-current liabilities:					
Bank borrowings	17	1,008	1,052	-	-
Other payables	16	209	233	-	-
Lease liabilities		1,522	1,622	-	-
Deferred tax liabilities		479	411	-	-
Total non-current liabilities		3,218	3,318	-	-
Current liabilities					
Trade and other payables	16	1,173	1,310	5,153	4,430
Bank borrowings	17	89	87	-	-
Lease liabilities		244	242	-	-
Contract liabilities		341	400	-	-
Income tax payable		342	58	-	-
Total current liabilities		2,189	2,097	5,153	4,430
Total liabilities		5,407	5,415	5,153	4,430
Total equity and liabilities		34,210	31,572	16,729	16,222



Condensed Interim Statements of Changes in Equity

Group

	Share capital RM'000	Retained earnings RM'000	Foreign currency translation reserve RM'000	Merger reserve RM'000	Total equity RM'000
Balance as at 1 January 2023	11,292	12,689	(4)	2,180	26,157
Profit for the financial period	-	2,644	-	-	2,644
<i>Other comprehensive income:</i> <i>Item that may be reclassified</i> <i>subsequently to profit or loss:</i> Exchange differences arising from translation of foreign operations	-	-	2	-	2
Total comprehensive income for the financial period	-	2,644	2	-	2,646
Balance as at 30 June 2023	11,292	15,333	(2)	2,180	28,803
Balance as at 1 January 2022	2,325	11,969	n.m.	12	14,306
Profit for the financial period	-	2,658	-	-	2,658
<i>Other comprehensive income:</i> <i>Item that may be reclassified</i> <i>subsequently to profit or loss:</i> Exchange differences arising from translation of foreign operations	-	-	(1)	-	(1)
Total comprehensive income for the financial period	-	2,658	(1)	-	2,657
Balance as at 30 June 2022	2,325	14,627	(1)	12	16,963

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**Condensed Interim Statements of Changes in Equity (Continued)****Company**

	Share capital RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 January 2023	11,292	500	11,792
Loss for the financial period	-	(216)	(216)
Total comprehensive income for the financial period	-	(216)	(216)
Balance as at 30 June 2023	11,292	284	11,576

Notes:

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

(2) There is no comparative statement of changes in equity for the six months ended 30 June 2022 for the Company as it was incorporated on 22 July 2022.

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**Condensed Interim Consolidated Statement of Cash Flows**

	Group	
	6 months ended	
	30.06.23	30.06.22
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	3,707	3,377
<i>Adjustments for :</i>		
Gain on foreign exchange differences, net	(631)	-
Bad debts written off	-	7
Depreciation of property, plant and equipment	424	389
Depreciation of right-of-use assets	132	134
Loss allowance on receivables	118	-
Property, plant and equipment written off	4	5
Fair value gain on financial assets at FVTPL	(80)	(59)
Interest expense	89	101
Interest income	(42)	(4)
Operating profit before changes in working capital	<u>3,721</u>	<u>3,950</u>
Changes in working capital		
Trade and other receivables	(336)	(1,980)
Contract assets	163	(16)
Prepayment	(69)	643
Trade and other payables	(165)	(431)
Contract liabilities	(59)	96
Cash generated from operations	<u>3,255</u>	<u>2,262</u>
Income tax paid, net	(711)	(781)
Net cash from operating activities	<u>2,544</u>	<u>1,481</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(377)	(615)
Interest income	1	-
Placement of financial assets at FVTPL	(2,449)	(1,190)
Redemption of financial assets at FVTPL	200	851
Net cash used in investing activities	<u>(2,625)</u>	<u>(954)</u>
Cash flows from financing activities		
Repayment of principal portion of bank borrowings	(42)	(76)
Repayment of interest portion of bank borrowings	(22)	(31)
Repayment of principal portion of lease liabilities	(116)	(130)
Repayment of interest portion of lease liabilities	(67)	(70)
Net cash used in financing activities	<u>(247)</u>	<u>(307)</u>
Net changes in cash and bank balances	(328)	220
Cash and bank balances at beginning of financial period	12,313	1,106
Effects of currency translation on cash and cash equivalents	631	-
Cash and bank balances at end of financial period	<u>12,616</u>	<u>1,326</u>

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Notes to the Condensed Interim Consolidated Financial Statements

1. Corporate Information

LMS Compliance Ltd. (formerly known as LMS Compliance Pte. 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.

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, development of software and application pertaining to conformity assessment technology, 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 as at and for the six months financial period ended 30 June 2023 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 ended 30 June 2022 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 ended 30 June 2023 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 annual audited consolidated financial statements for the year ended 31 December 2022.



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.

2.2 Use of judgements and estimates

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 provide 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 are less than 5.0% respectively. Accordingly, the results of business segments are not presented separately.

4.2) Geographical information

During the six months ended 30 June 2023 ("1H FY2023") and six months ended 30 June 2022 ("1H FY2022"), 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	
	30.06.23	30.06.22
	RM'000	RM'000
Type of goods or services		
Laboratory testing services	9,532	8,429
Certification services	153	103
Sales of goods	154	171
Distribution of conformity assessment technology	81	71
	9,920	8,774
Timing of transfer of goods and services		
Point-in-time	9,839	8,703
Over time	81	71
	9,920	8,774



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 1H FY2023 and 1H FY2022.

Customer	Type of service provided	Percentage contribution to total revenue (%)	
		1H FY2023	1H FY2022
One customer	Laboratory testing services	6.25%	4.34%

5. Other income

	Group	
	6 months ended	
	30.06.23	30.06.22
	RM'000	RM'000
Government grant income	23	19
Government wage subsidy	14	95
Fair value gain on financial assets at FVTPL	80	59
Gain on foreign exchange differences, net	631	-
Other	2	52
	<u>750</u>	<u>225</u>

6. Depreciation expenses

	Group	
	6 months ended	
	30.06.23	30.06.22
	RM'000	RM'000
Depreciation of property, plant and equipment	424	389
Depreciation of right-of-use assets	132	134
	<u>556</u>	<u>523</u>

7. Finance costs

	Group	
	6 months ended	
	30.06.23	30.06.22
	RM'000	RM'000
Lease liabilities interest	67	70
Bank borrowings interest	22	31
	<u>89</u>	<u>101</u>



8. Profit before income tax

8.1 Significant items

	Group	
	6 months ended	
	30.06.23	30.06.22
	RM'000	RM'000
<i>Materials, consumables and subcontractor costs</i>		
- Purchases	535	553
- Outsourcing cost	146	152
Short term and low value lease expenses		
- Tool and equipment	5	4
<i>Other expenses</i>		
<i>Audit fee</i>		
- Auditors of the Company	107	-
- Auditors of the subsidiaries	50	53
<i>Non-audit related services</i>		
- Auditors of the Company	6	-
- Auditors of the subsidiaries	11	7
Bad debt written off	-	7
Property, plant and equipment written off	4	5
Professional fee	342	101
Short term and low value lease expenses		
- Office equipment	9	10
Computer and information technology expenses	129	45
Utilities	163	151
Advertisement	130	41

8.2 Related party transaction

	Group		Company	
	As at	As at	As at	As at
	30.06.23	30.06.22	30.06.23	30.06.22
	RM'000	RM'000	RM'000	RM'000
With Directors of the Company				
Payment of expenses on behalf of	119	86	-	-
Payment of expenses on behalf by	-	5	-	-
Rental fee	147	147	-	-
With Subsidiaries				
Expenses paid on behalf of the Company	-	-	5,239	-



9. Income tax expense

	Group	
	6 months ended	
	30.06.23	30.06.22
	RM'000	RM'000
Current income tax expenses		
- current tax	995	643
	<u>995</u>	<u>643</u>
Deferred tax expenses		
- relating to origination and reversal of temporary differences	68	76
	<u>68</u>	<u>76</u>
Total income tax expenses recognised in consolidated statement of comprehensive income	<u><u>1,063</u></u>	<u><u>719</u></u>

10. Earnings per share

	Group	
	6 months ended	
	30.06.23	30.06.22
Profit attributable to owners of Company (RM'000)	2,644	2,658
	<u><u>2,644</u></u>	<u><u>2,658</u></u>
Weighted average number of ordinary shares	87,435,000	71,500,936
	<u><u>87,435,000</u></u>	<u><u>71,500,936</u></u>
Earnings per share (RM cents)		
- Basic and diluted	3.02	3.72
	<u><u>3.02</u></u>	<u><u>3.72</u></u>

The calculation of basic earnings per share for the six-month financial period ended 30 June 2023 is based on profit attributable to owners of the Company for the financial period divided by weighted average number of ordinary shares in issue for the financial period of 87,435,000 ordinary shares.

The calculation of basic earnings per share for the six-month financial period ended 30 June 2022 is based on profit attributable to owners of the Company for the financial period divided by weighted average number of ordinary shares in issue for the financial period of 71,500,936 ordinary shares. The weighted average number of ordinary shares in issue of 71,500,936 ordinary shares is computed based on the issue of 50,635 new ordinary shares pursuant to the Restructuring Exercise (but prior to the share split exercise of sub-dividing 51,385 existing ordinary shares into 72,560,000 shares ("Share Split")) due to the acquisition of new subsidiaries under common control, adjusted for the Share Split and assuming such transactions had occurred at the beginning of the six-month financial period ended 30 June 2022.

The number of ordinary shares used for the calculation of earnings 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 per share for the relevant periods are the same as the basic earnings per share as there were no dilutive potential ordinary shares for the relevant periods.

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**11. Property, plant and equipment**

During the six months financial period ended 30 June 2023, the Group acquired assets amounting to RM0.38 million (30 June 2022 : RM0.62 million). There were no property, plant and equipment disposed during the respective financial periods.

12. Investment in subsidiaries

	Company	
	As at 30.06.23 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 period	-	160
Balance at end of financial period	160	160

13. Trade and other receivables

	Group		Company	
	As at 30.06.23 RM'000	As at 31.12.22 RM'000	As at 30.06.23 RM'000	As at 31.12.22 RM'000
Trade receivables				
- Third parties	3,310	2,964	-	-
Less: Loss allowance on receivables	(272)	(154)	-	-
	3,038	2,810	-	-
Other receivables				
- Third parties	25	29	-	-
- Amount owing by subsidiaries	-	-	5,300	5,300
	25	29	5,300	5,300
Deposits				
	66	66	-	-
	91	95	5,300	5,300
	3,129	2,905	5,300	5,300



14. Financial assets at FVTPL

	Group		Company	
	As at 30.06.23 RM'000	As at 31.12.22 RM'000	As at 30.06.23 RM'000	As at 31.12.22 RM'000
Money market funds	9,343	6,974	-	-
Balance at beginning of financial period	6,974	7,212	-	-
Placements during the financial period	2,449	2,460	-	-
Redemptions during the financial period	(200)	(2,831)	-	-
Interest income	40	51	-	-
Fair value gain recognised through profit or loss	80	82	-	-
Balance at end of financial period	9,343	6,974	-	-

15. Share capital

	Group and Company			
	As at 30.06.2023		As at 31.12.2022	
	Number of ordinary shares	RM'000	Number of ordinary shares	RM'000
Total number/amount of ordinary shares	87,435,000	11,292	87,435,000	11,292

There were no changes in the Company's share capital since the end of the previous financial period reported on which was as at 31 December 2022.

The Company has no outstanding convertibles, treasury shares or subsidiary holdings as at 30 June 2023.



16. Trade and other payables

	Group		Company	
	As at 30.06.23 RM'000	As at 31.12.22 RM'000	As at 30.06.23 RM'000	As at 31.12.22 RM'000
Non-current				
Deferred grant income	209	233	-	-
Current				
Trade payables				
- Third parties	122	116	-	-
Other payables				
- Third parties	101	210	-	120
- Subsidiaries	-	-	4,979	4,095
Accrued expenses	547	572	174	215
Deferred grant income	38	38	-	-
Sales and service tax ("SST")	365	374	-	-
	1,173	1,310	5,153	4,430
	1,382	1,543	5,153	4,430

17. Bank borrowings

	Group		Company	
	As at 30.06.23 RM'000	As at 31.12.22 RM'000	As at 30.06.23 RM'000	As at 31.12.22 RM'000
Current				
Term loan	89	87	-	-
	89	87	-	-
Non-current				
Term loan	1,008	1,052	-	-
	1,008	1,052	-	-
Total	1,097	1,139	-	-
Secured				
Term loan	1,097	1,139	-	-
	1,097	1,139	-	-

The term loan is repayable over 240 monthly instalments comprising principal and interest.

The term loan is secured by freehold land and building of the Group.



18. Net asset value ("NAV")

	Group		Company	
	As at 30.06.23	As at 31.12.22	As at 30.06.23	As at 31.12.22
NAV (RM'000)	28,803	26,157	11,576	11,792
Number of ordinary shares in issue ('000)	87,435	87,435	87,435	87,435
NAV per ordinary share (RM cents)	0.33	0.30	0.13	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 30 June 2023 and 31 December 2022:

	Group		Company	
	As at 30.06.23 RM'000	As at 31.12.22 RM'000	As at 30.06.23 RM'000	As at 31.12.22 RM'000
Financial assets				
At amortised cost	15,745	15,218	16,444	15,952
Financial asset at FVTPL (Level 1, quoted prices (unadjusted) in active markets for identical assets)	9,343	6,974	-	-
	<u>25,088</u>	<u>22,192</u>	<u>16,444</u>	<u>15,952</u>
Financial liabilities				
At amortised cost	3,633	3,901	5,153	4,430

20. Subsequent events

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

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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 30 June 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 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 financial statements of the Group for the financial year ended 31 December 2022 were 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 six months ended 30 June 2023 ("1H FY2023") as compared to six months ended 30 June 2022 ("1H FY2022").

Revenue

Revenue increased by RM1.15 million or 13.1%, mainly due to an increase in revenue from (i) laboratory testing services by RM1.10 million, (ii) certificate service by RM0.05 million, and (iii) distribution of conformity assessment technology by RM0.01 million, partially offset by the decrease in revenue from sales of goods by RM0.01 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 pharmaceutical industries.

Interest Income

The increase in interest income of RM0.04 million was due to a higher average monthly balance of financial assets at FVTPL.

Other Income

Other income increased by RM0.52 million, mainly due to (i) an adjustment for unrealised gain in foreign exchange at foreign currency balance of RM0.63 million due to the stronger Singapore dollar against the Malaysian ringgit during 1H FY2023, and (ii) an increase in fair value gain on financial assets at FVTPL of RM0.02 million, partially offset by a decrease in government wage subsidy of RM0.08 million and a decrease in insurance claim received of RM0.05 million.

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

Materials, consumables, and subcontractor costs

Materials, consumables, and subcontractor costs decreased by RM0.03 million or 4.0%, primarily due to a drop in the maintenance costs of lab machinery and equipment. The replacement of equipment parts when necessary contributed to this decrease. Furthermore, the addition of new lab machinery and equipment during the financial period helped reduce maintenance requirements.

Depreciation expenses

Depreciation expenses increased by RM0.03 million or 6.3%, mainly due to additional purchase of tools and equipment, and motor vehicles in 1H FY2023, which resulted in the overall increase of depreciation expenses.

Loss allowance on receivables, net

The Group recorded a net loss allowance on receivables of RM0.12 million in 1H FY2023, whereas in 1H FY2022, there was no net loss allowance on receivables, mainly due to an increase in trade debtors and a weak collection rate from trade debtors during 1H FY2023.

Employee benefit expenses

Employee benefit expenses increased by RM0.54 million or 16.8%, mainly due to an increase in headcount of employees and increment of salaries in 1H FY2023.

Other expenses

Other expenses increased by RM0.73 million or 74.1%, mainly due to higher professional fees incurred following the Company's listing on the Singapore Exchange, as well as increased audit fees, expenses incurred for the upgrading of Information Technology (IT) facilities for lab operation purposes, advertisement fees, professional indemnity insurance and travel expenses.

Finance costs

Finance costs decreased by RM0.01 million or 11.9%, 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.

Net profit before tax

As a result, the Group's net profit before tax increased by RM0.33 million or 9.8%, from RM3.38 million in 1H FY2022 to RM3.71 million in 1H FY2023.

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2. A review of the performance of the group (Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 30 June 2023 and 31 December 2022.

Non-current Assets

Property, plant and equipment decreased from RM7.29 million as at 31 December 2022 to RM7.24 million as at 30 June 2023, mainly due to an increase in depreciation, partially offset by additions of assets during 1H FY2023.

Right-of-use assets decreased by RM0.11 million, mainly due to depreciation of right-of-use assets in 1H FY2023.

Current Assets

Trade and other receivables increased by RM0.22 million, mainly due to an increase in tandem of revenue in 1H FY2023, as compared to 1H FY2022.

Prepayments increased by RM0.07 million, mainly due to additional prepaid amounts for secretarial fees, professional fees and server costs.

Contracts assets arise when performance obligations have been satisfied but yet to bill customers. The Group's contract assets decreased by RM0.16 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 RM2.37 million as at 30 June 2023, mainly due to additional placements of money market funds with financial institutions, interest income and fair value gain of approximately RM2.45 million, RM0.04 million and RM0.08 million respectively, partially offset by redemptions of RM0.20 million during 1H FY2023.

Cash and bank balances amounted to RM12.62 million which accounted for 49.6% of the Group's total current assets as at 30 June 2023. The increase was mainly due to net cash generated from operating activities of RM3.18 million, partially offset by net cash used in financing activities and investing activities of RM0.25 million and RM2.63 million respectively.

Non-current Liabilities

Bank borrowings decreased from RM1.05 million as at 31 December 2022 to RM1.01 million as at 30 June 2023, due to repayment of loan during 1H FY2023.

Other payables relates to deferred grant income received from SME Corporation Malaysia and grant received from MIDA during FY2022 for capital expenditure incurred for the purchases of laboratory related equipment. Other payables decreased by RM0.02 million mainly due to its recognition as other income on a monthly basis.

Lease liabilities decreased from RM1.62 million as at 31 December 2022 to RM1.52 million as at 30 June 2023, mainly due to lease payments made in 1H FY2023.



2. A review of the performance of the group (Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Non-current Liabilities

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 RM0.48 million which accounted for 12.4% and 14.9% of the Group's total non-current liabilities as at 31 December 2022 and 30 June 2023 respectively.

Current Liabilities

Trade and other payables decreased by RM0.14 million, mainly due to prompt payment made by the Group to suppliers. Additionally, the decrease in accrued expenses was mainly due to payment of accrued audit fee during 1H FY2023.

Contract liabilities relate to unsatisfied performance obligations when the Group issues billing to customers. Unsatisfied performance obligations 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 RM0.34 million which accounted for 19.1% and 15.6% of the Group's total current liabilities as at 31 December 2022 and 30 June 2023 respectively. The decrease in contract liabilities as at 30 June 2023 was due to a decrease in payment in advance from customers for goods which have yet be delivered as at end of 30 June 2023.

Income tax payable increased by RM0.28 million, from RM 0.06 million as at 31 December 2022 to RM 0.34 million as at 30 June 2023, mainly due to higher tax provisions and payments made during 1H 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 RM23.2 million as at 30 June 2023, as compared to a positive working capital of RM20.5 million as at 31 December 2022.

CONSOLIDATED STATEMENT OF CASH FLOW

Review for the performance of the Group for 1H FY2023

The net cash from operating activities for 1H FY2023 of RM2.54 million was mainly derived from operating cash flows before working capital changes of RM3.72 million and after adjusting for net working capital outflow of RM0.47 million and income tax paid of RM0.71 million.

Net cash used in investing activities for 1H FY2023 was approximately RM2.63 million, mainly due to purchases of property, plant and equipment of RM0.38 million and placement of financial assets at FVTPL of RM2.45 million, partially offset by redemption of financial assets at FVTPL of RM0.20 million. The net redemption of financial assets at FVTPL amounting to RM0.20 million pertains to the net withdrawal of the Group's investments in money market funds.



2. A review of the performance of the group (Continued)

CONSOLIDATED STATEMENT OF CASH FLOW

Review for the performance of the Group for 1H FY2023

Net cash used in financing activities for 1H FY2023 was RM0.25 million. This outflow was primarily driven by the settlement of bank borrowings and repayment of other bank borrowings amounting to an aggregate of RM0.07 million, and repayment of lease liabilities of RM0.18 million.

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

No forecast or prospect statement has been previously disclosed to shareholders.

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

Despite the progress made in the economic recovery, specific sectors are still experiencing slower growth, and increased prices of food and utilities are fueling inflation globally. This inflationary pressure impacts the Group's cost structure, affecting raw materials and labour. The Group will carefully manage these cost pressures to maintain profitability and ensure business resilience. Nevertheless, the Group remains committed to its long-term strategies, prioritising customer relationships and operational efficiency via digitalisation to address these challenges strategically.

Likewise, to other currencies, the ringgit's depreciation posts challenges and opportunities for the Group and the broader economy. To tackle this issue, the Group is devoted to closely monitoring fluctuations in the exchange rate and evaluating their impact on its testing, assessment and certification businesses. This ringgit depreciation is expected to have potential cost implications. Nevertheless, it also provides opportunities for expanding the Group's presence in other APEC regions. By adapting to the changing currency dynamics, the Group aims to navigate challenges and leverage favourable growth prospects in alternative markets.

5. Dividend information

5.1 If a decision regarding dividend has been made:

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

Nil

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

Nil

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5. Dividend information (Continued)

5.1 If a decision regarding dividend has been made:

- (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)

Not applicable.

- (d) Date payable

Not applicable.

- (e) Record date

Not applicable.

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

No dividend has been declared or recommended for the six months ended 30 June 2023 as the Group intends to conserve funds for working capital purposes.

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 during the financial period.

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

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

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.

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**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 30 June 2023 (S\$'000)	Balance of Net Proceeds as at 30 June 2023 (S\$'000)
Expansion of the Group’s certification services segment and conformity assessment technology distribution segment	300	36	264
Acquisitions, joint ventures and strategic alliances to expand the Group’s business	1,200	-	1,200
General working capital	538	244	294
Total	2,038	280	1,758

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	90
Director fee	48
Audit fee	29
Advertisement	28
Traveling and accommodation	12
Insurance	8
Secretarial fee	7
Training fee	5
Printing and stationery	5
Miscellaneous expenses	12
Total	<u><u>244</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).

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10. Confirmation pursuant to Catalist Rule 705(5)

The board of directors of the Company confirms that, to the best of their knowledge, nothing has come to their attention, which may render the unaudited condensed interim consolidated financial results of the Group for the six months ended 30 June 2023 to be false or misleading in any material aspects.

BY ORDER OF THE BOARD

Ooi Shu Geok
Executive Director and Chief Executive Officer
14 August 2023