
7. BUSINESS OVERVIEW

7.1 OUR HISTORY

The history of our Group can be traced back to 1998 when SNS Network, a sole proprietorship, was established on 21 December 1998 by Ong Mei Kwai, with our Managing Director, Ko Yun Hung, and our Executive Director, Pah Wai Onn, joining as part of its pioneer management team. SNS Network was involved in the business of assembling and supplying desktops and related peripherals primarily to schools and cybercafes. Along with supplying desktops, it also provided ICT services such as structured cabling work, networking services and software installation. The business operations of SNS Network commenced from a rented office at Jalan Raja Musa Aziz, Ipoh.

With growing orders from customers and seeing the potential of the ICT industry, Ko Yun Hung set out to incorporate SNS Network Malaysia on 21 April 2000, together with Ong Mei Kwai, and with Pah Wai Onn joining the company as part of the pioneer management team. Ong Mei Kwai held shares in SNS Network Malaysia on trust for Pah Wai Onn and was a named director but was not involved in the day-to-day operations of the company. During the Acquisition of SNS Network Malaysia, she formally exited as shareholder of the company. Thereafter, SNS Network gradually ceased to operate and has been terminated on 24 June 2021.

With the move towards electronics and computing, business organisations began to increase the adoption of ICT products in their operations and with that, our supply of desktops and peripherals to corporations and SMEs increased over the years.

In 2000, we relocated our operations to a rented office at Jalan Raja Ekram, Ipoh and ceased the rental of our office at Jalan Raja Musa Aziz, Ipoh. In the same year, we also set up a regional office in Pandan Indah, Ampang, Kuala Lumpur to provide sales and after-sales support to our customers in the Klang Valley; and a team in our Ipoh office to provide support services to customers in Penang.

As our business continued expanding, in 2004, we relocated our headquarters to a rented office in Greentown Business Centre, Ipoh. Thereafter, we ceased the rental of our office in Jalan Raja Ekram, Ipoh.

In 2008, we relocated our Kuala Lumpur office to a rented office unit in 3 Two Square, Petaling Jaya. With this, we expanded our Kuala Lumpur operations to include sales and marketing activities.

Ko Yun Hung and Pah Wai Onn became acquainted with Siow Wei Ming in July 2000 when Siow Wei Ming was working in Intranet Sendirian Berhad as a business associate of SNS Network Malaysia. On 12 August 2010, Notebook Plaza was incorporated by Siow Wei Ming (our Executive Director), Siow Wei Shan (our shareholder) and Tham Soon Fatt (Pah Wai Onn's brother-in-law). Upon the incorporation of Notebook Plaza, Ko Yun Hung and Pah Wai Onn become part of its pioneer management team. In 2014, Tham Soon Fatt sold his entire shareholdings, amounting to 50,000 shares (50.0%) in Notebook Plaza, equally to Ko See Meng (i.e. 25,000 shares / 25.0%) and Pah Wai Onn (i.e. 25,000 shares / 25.0%) and ceased to be a Director of Notebook Plaza. Subsequently, the shareholdings of Ko See Meng and Pah Wai Onn were then increased from 25,000 shares to 250,000 shares each (each still holding 25.0% of the total issued share capital), by way of allotment of 225,000 shares to them respectively. Save for Notebook Plaza, Siow Wei Ming was not involved in other subsidiaries of our Group. Notebook Plaza operated from a rented outlet in Plaza Low Yat, Kuala Lumpur and is primarily involved in the retail and distribution of ICT products such as ICT hardware, devices and related peripherals focusing on laptops.

7. BUSINESS OVERVIEW (Cont'd)

In 2012, we purchased a piece of land measuring approximately 41,000 sq ft at Jalan Sultan Nazrin Shah, Ipoh on which we constructed a 4-storey office building with built-up area of approximately 33,000 sq ft. The construction was completed and CCC issued in 2015, and we relocated our headquarters to this location, which remains as our headquarters to-date. Thereafter, we ceased the rental of our office in Greentown Business Centre, Ipoh.

In 2014, we introduced our house brand of ICT products, JOI[®], to the market through the launch of JOI[®] 8 tablet. Our house brand of ICT product JOI[®] was developed through a combined effort of support from some of our technology partners and efforts from our R&D activities. Over the years, we continue to increase our range of JOI[®] ICT products to cater to market demand and as at LPD, our JOI[®] ICT products comprise laptops, tablets, desktops, interactive smartboards, content media servers and mobile charging stations and related peripherals.

In line with the digital transformation in Malaysia's educational sector as outlined in the Malaysia Education Blueprint 2013-2025, we undertook further R&D activities and in 2016, we introduced our JOI[®] smart classroom framework to educational institutions. The JOI[®] smart classroom framework is a system that integrates and combines a broad range of features to support effective teaching and learning, connectivity, interactivity and collaborative works in educational institutions. Further details of our JOI[®] ICT products and JOI[®] smart classroom framework are as set out in Sections 7.3.3(b) and 7.3.2.1(c) respectively.

In 2017, we purchased an office unit in 3 Two Square, Petaling Jaya to set up our service centre authorised by Apple in Klang Valley. This is in addition to our existing office in 3 Two Square, Petaling Jaya which we have been renting since 2008.

In 2018, we purchased a piece of land measuring 35,929.9 sq ft in Petaling Jaya, Selangor in which, as at LPD, we are in the midst of preparing for our Regional Hub's building plan submission to Majlis Bandaraya Petaling Jaya to support our business expansion plans. Further details of our Regional Hub are as set out in Section 7.16.3.

To facilitate our expansion in Klang Valley, we had in 2021 rented an additional office unit in 3 Two Square, Petaling Jaya. In the same year, we expanded our presence to the northern region when we set up our regional office in Bayan Lepas, Penang.

In July 2017, we acquired a double-storey cluster factory of approximately 7,800 sq ft in Eco Business Park 2, Johor. We received the Certificate of Completion and Compliance for the factory in August 2019 and commenced operations as our regional office in Johor in November 2021.

7.2 KEY ACHIEVEMENTS AND MILESTONES

A summary on the expansion of our ICT products, services and solutions offerings, as well as our physical stores and online stores are as follows:

Year	Achievement and Milestones
2000	<ul style="list-style-type: none"> We secured our first dealership agreement to supply Acer branded ICT products. With this, we began offering third party brands ICT products, services and solutions, whereby over the years, we continued to expand our range of offerings to include brands from other brand principals. Further details of the range of third party brands carried by our Group are as set out in Section 7.3.3(a).

7. BUSINESS OVERVIEW (Cont'd)

Year	Achievement and Milestones
2003	<ul style="list-style-type: none"> We were appointed as an authorised reseller of TM branded products whereby we resell, distribute and promote internet services to businesses and residential consumers. With that, we began offering telecommunication services to consumers whereby over the years, we continued to expand our service offerings to comprise internet/broadband services, telephone line and/or mobile services from other service providers such as Celcom, Maxis and TIME.
2004	<ul style="list-style-type: none"> We secured our first concessionaire agreement with AEON, formerly known as Jaya Jusco Stores Bhd, which allows us to display and sell our ICT products through AEON's consignment counters. Our first consignment counter was located at Jusco Ipoh, now known as AEON Kinta City. We employed the brand name "SNS Network" for our consignment counters in AEON. With this, we embarked on our journey of retail expansion. Our presence through AEON continued to expand over the years and as at LPD, we have consignment counters in 14 AEON departmental stores throughout Malaysia. Further details of our presence through AEON, by geographical region, are as set out in Section 7.3.4(a)(iii).
2008	<ul style="list-style-type: none"> SNS Network Malaysia received the "SME Young Entrepreneur Award" for SME Recognition Award 2008 from SMI Association of Malaysia (now known as SME Association of Malaysia).
2009	<ul style="list-style-type: none"> SNS Network Malaysia received the "SME ICT Adoption Award (IT Service Provider)" for SME Recognition Award 2009 from SMI Association of Malaysia (now known as SME Association of Malaysia).
2010	<ul style="list-style-type: none"> We were appointed as an Apple Authorised Reseller by Apple South Asia Pte Ltd to resell Apple branded products. We launched our first Apple store, branded under the brand name "iTworld" in Ipoh, Perak. iTworld is our Group's first brand-specialty store. This store is operated under our subsidiary, SNS Network Malaysia. Over the years, we continued to expand our presence by setting up other brand specialty stores such as Acer, AMD, Asus, Dell, HP, Huawei, Lenovo, Mi, MSI and OMEN. We obtained 2nd placing in the "Enterprise 50 Award Programme 2010", awarded by SME Corporation Malaysia.
2012	<ul style="list-style-type: none"> We rebranded our consignment counters in AEON from "SNS Network" to "GLOO". Our business continued to expand and we achieved a new milestone when our revenue surpassed the RM100 million mark in FYE 2012.

7. BUSINESS OVERVIEW (Cont'd)

Year	Achievement and Milestones
2014	<ul style="list-style-type: none"> • Our business continued to expand and we achieved a new milestone when our revenue surpassed the RM200 million mark in FYE 2014. • We set up our first GLOO standalone multi-brand concept store at Nu Sentral, Kuala Lumpur in which we ceased our tenancy agreement in 2017 as the store was unable to generate the targeted sales set by our Group. • We were appointed as an Apple Authorised Service Provider by Apple Malaysia Sdn Bhd to provide services for Apple branded products. • We set up our first service centre authorised by Apple within our headquarters in Greentown Business Centre, Ipoh. • We launched our house brand of ICT products, JOI®.
2015	<ul style="list-style-type: none"> • Our business continued to expand and we achieved a new milestone when our revenue surpassed the RM300 million mark in FYE 2015. • We began selling our products online through third party marketplaces. Lazada is the first third party marketplace platform that our Group utilises. • Over the years, we continued to establish our online presence through various third party marketplaces such as Shopee, PG Mall, Zalora, MyDunia, MyBeli and PIKOM Tech Marketplace.
2016	<ul style="list-style-type: none"> • Our business continued to expand and we achieved a new milestone when our revenue surpassed the RM400 million mark in FYE 2016.
2017	<ul style="list-style-type: none"> • We launched our 1st in-house online store, iTworld, for the sale of Apple products online. In 2021, we began to include the sale of other brands of ICT products in our iTworld online store.
2019	<ul style="list-style-type: none"> • Our business continued to expand and we achieved a new milestone when our revenue surpassed the RM500 million mark in FYE 2019.
2020	<ul style="list-style-type: none"> • Our business continued to expand and we achieved a new milestone when our revenue surpassed the RM600 million mark in FYE 2020.
2021	<ul style="list-style-type: none"> • We obtained 3rd placing in the "Malaysia Top E-Commerce Merchant Award", awarded by Selangor Information Technology and Digital Economy Corporation. • Our business continued to expand and we achieved a new milestone when our revenue surpassed the RM700 million mark in FYE 2021.
2022	<ul style="list-style-type: none"> • Our business continued to expand and we achieved a new milestone when our revenue surpassed the RM1 billion mark in FYE 2022.

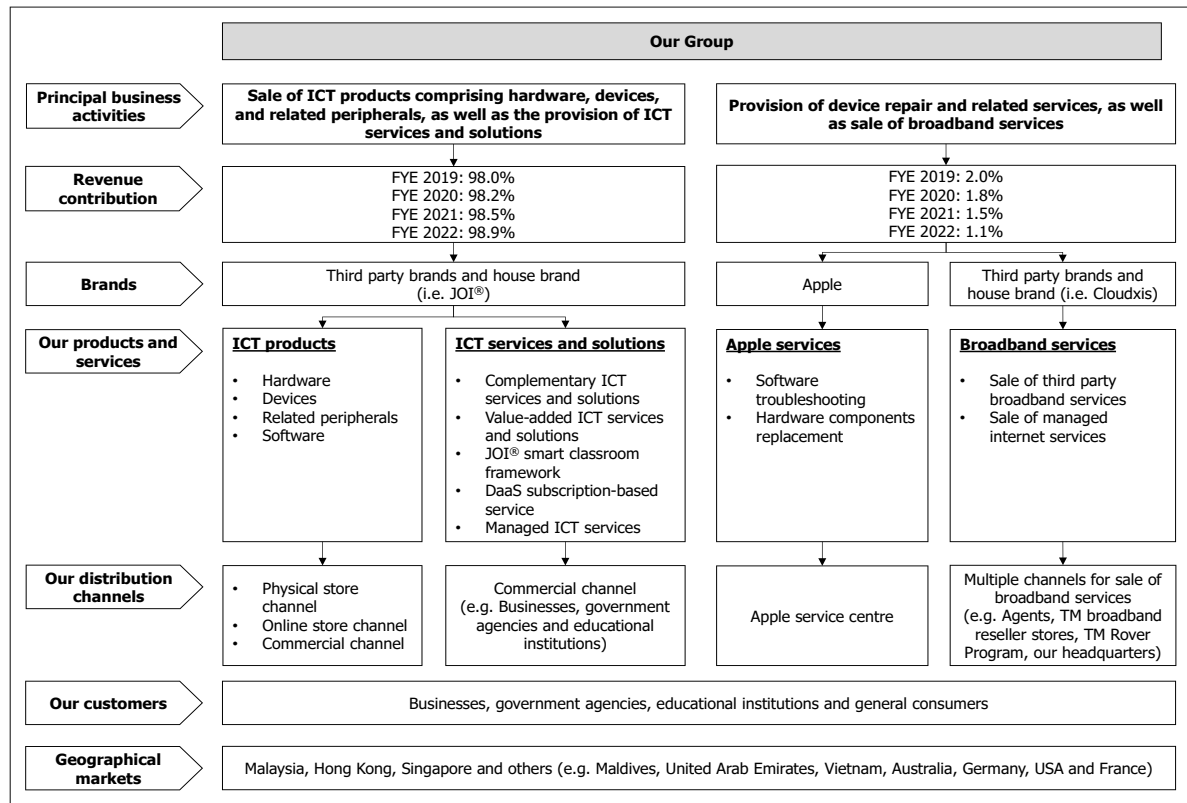
The rest of this page is intentionally left blank

7. BUSINESS OVERVIEW (Cont'd)

7.3 DESCRIPTION OF OUR BUSINESS

7.3.1 Our business model

Our Group's business model, by principal business activities, is as illustrated below:



7.3.2 Principal business activities

We are principally involved in the provision of ICT products, services and solutions. Our core business activities are as follows:

- Sale of ICT products comprising hardware, devices and related peripherals, as well as the provision of ICT services and solutions; and
- Provision of device repair and related services, as well as sale of broadband services.

7.3.2.1 Sale of ICT products comprising hardware, devices, and related peripherals, as well as the provision of ICT services and solutions

We are involved in the sale of third party ICT products and our house brand ICT products, JOI®.

The third party branded ICT products that we sell comprise:

- Hardware such as desktops, laptops, monitors, printers, storage devices, networking equipment and servers;
- Devices such as smartphones, tablets, and smartwatches;

7. BUSINESS OVERVIEW (Cont'd)

- (c) Related peripherals such as earphone and audio devices, visual projection equipment, uninterrupted power supply systems and other related accessories; and
- (d) Software such as document editor, document viewer, internet security and computer-aided design programmes.

We procure third party branded ICT products from brand principals and/or appointed distributors. For certain third party brands, we are directly authorised by the brand principals as their authorised dealer. Further details of third party ICT products offered by our Group including those which we are the authorised dealer are as set out in Section 7.3.3(a).

Our JOI[®] products comprise laptops, tablets, desktops, content media servers, interactive smartboards, mobile charging stations and related peripherals. We developed our JOI[®] products as affordable ICT products to address a pricing gap in the ICT market, as our JOI[®] products are generally priced lower when compared with products of similar specifications from other third party ICT brands. As such, our JOI[®] products are targeted at customers seeking more affordable ICT products and hence, our JOI[®] products do not generally compete with our third party branded ICT products. Further details of our JOI[®] ICT products are as set out in Section 7.3.3(b).

We distribute and sell our ICT products through the physical store channel (i.e. brand-specialty stores, multi-brand concept stores and consignment counters), online store channel (i.e. iTworld online store, GLOO online store, Notebook Plaza online store and third party marketplaces), and commercial channel (e.g. businesses, government agencies and educational institutions). Further details of our distribution channel are as set out in Section 7.3.4.

Customers from the commercial channel may purchase ICT products from our Group for onward sale to their customers or for their own use. For customers who purchase ICT products for their own use, our Group may also provide ICT services and solutions to these customers, depending on their needs and requirement. Our ICT services and solutions are broadly categorised into complementary ICT services and solutions, value-added ICT services and solutions, JOI[®] smart classroom framework, DaaS subscription-based service and managed ICT services, details as follows:

- (a) Complementary ICT services and solutions

Sales of ICT products to customers through the commercial channel are typically large and may comprise a combination of hardware, devices and equipment. As such, we may offer complementary ICT services and solutions such as providing advice and recommending solutions to our customers on the suitable types of products and technical specifications, based on customers' requirements and budgets. Further, we may also provide basic services following the customers' purchase of ICT products from our Group such as product setup, software installation (e.g. Microsoft, Adobe and F-Secure) and/or product training. These are complementary services to our customers, where the charges for these services are embedded into the sale of ICT products.

- (b) Value-added ICT services and solutions

Value-added ICT services and solutions are additional services where we charge our customers separately. These value-added services may be provided in addition to our sale of ICT products or as standalone services. The type of services and solutions provided is dependent on our customers' needs. We provide a range of value-added ICT services and solutions such as the following:

7. BUSINESS OVERVIEW (Cont'd)

Services and solutions	Description
Security management software solutions	Provision of firewall, internet security, storage and data back-up installation and integration services.
Web services solutions	Provision of web design and development, web hosting, domain registration and e-commerce enabled website development.
Cloud services solutions	Provision of cloud services subscription (e.g. Office 365, Azure and Adobe document cloud) and host cloud-based applications.
Surveillance solutions	Design and deployment of CCTV, access control system and cabling infrastructure.
Digital signages solutions	Provision of remote digital content management through a combination of components comprising hardware (e.g. LED display panel, mini desktops and router) and software.
Network infrastructure solutions	Provision of network cabling solutions (e.g. wireless network solution, structured cabling solution, optical network solution, converged and hyper-converged infrastructure and end point) comprising design and deployment of solution with network traffic monitoring and optimisation.

(c) JOI® smart classroom framework

JOI® smart classroom framework is a solution provided primarily to educational institutions such as schools and universities. This solution integrates and combines a broad range of features to support effective teaching and learning, as well as enhance interaction and collaboration in educational institutions. The JOI® smart classroom framework includes a flexible combination of JOI® ICT products and third party ICT products such as laptops, desktops, monitors, tablets, interactive smartboards, content media server (i.e. JOI® Connect), mobile charging stations, devices for student terminal, visual data devices and smart cameras.

In 2016, we introduced our JOI® smart classroom framework. Since then and up to LPD, we have successfully secured 59 projects with educational institutions (such as government or private schools, universities, colleges, international schools and kindergartens), inclusive of 11 projects secured together with dealers, for the implementation of our JOI® smart classroom framework for educational institutions nationwide.

7. BUSINESS OVERVIEW (Cont'd)

We secure projects together with dealers to leverage on the dealers' customer base to extend our market outreach while the dealers leverage on our Group's technical expertise to secure projects. Our Group will be involved in understanding the customer's requirement and budget, and preparing the proposal together with the dealer. In such arrangement, we will invoice the dealers and act as the principal to supply ICT products, services and solutions to projects secured, and the dealers will invoice the customers. Subject to the agreed upon arrangement, ICT products may be delivered directly to the customers or to the dealers for onward delivery to customers. Generally, dealers will be involved in providing product setup and software installation for the customer while our Group will provide assistance as and when required. Upon request, we will also provide product training to customers.

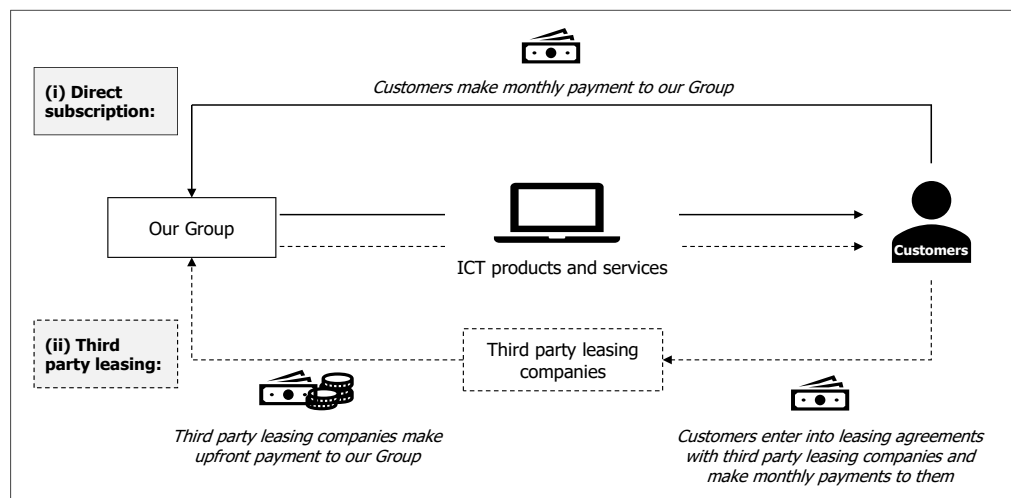
For after-sales services, on hardware issues, the dealers will collect the products from customers and send it to our Group for after-sales repair with further details on warranty claims as set out in Section 7.3.3(c). For software issues, the dealers will provide customers with 1st level software troubleshooting. In the event that the dealers are unable to resolve the issue, it will be escalated to our Group and we will provide 2nd level software troubleshooting.

Our JOI® smart classroom framework is a one-off solution implementation. Nevertheless, as and when required, we may also provide product upgrades and/or additions to our customer's existing JOI® smart classroom framework. ICT products offered under this framework is eligible for after-sales repair services based on the terms and conditions attached to the respective ICT products.

(d) DaaS subscription-based service

DaaS is a subscription-based service, typically offered under a monthly subscription basis, whereby our Group bundles ICT products (i.e hardware and software) and/or services according to our customers' requirements and offers it to our customers through:

- (i) Direct subscription, whereby our Group will bill the customer on a monthly basis until the end of the subscription period; or
- (ii) Third party leasing, whereby the customer will enter into leasing agreements with the third party leasing companies and make monthly payments to them. Our Group will receive upfront payment from the leasing companies as sales of the ICT products upon commencement of the contract.



7. BUSINESS OVERVIEW (Cont'd)

Items for subscription include devices and hardware (e.g. desktops, laptops, notebooks, printers and accessories), software and ICT services. Under this subscription model, our Group will manage the subscription from product configuration, deployment and commissioning, to the provision of ICT services including value-added ICT services and solutions, managed ICT services. In addition, it also includes ICT asset management and support and maintenance services such as system updates and patching, remote diagnosis and maintenance, live technical support, extended warranty, data backup and data migration, management of old equipment and certification training, amongst others, throughout the duration of the subscription.

As such, our DaaS service provides customers with the flexibility to adjust their usage (e.g. subscription content, number of ICT devices, software content and value-added services) according to their business and operational needs. This subscription model helps our customers to avoid large upfront capital expenditure required for the bulk purchases and deployment of ICT products, ICT lifecycle cost such as software upgrades and equipment maintenance, and end of life equipment cost.

Since 2020, our Group has been expanding our DaaS subscription-based service. The duration of our DaaS subscription-based service ranges up to 5 years. When the subscription expires, our customers may either purchase the devices and hardware based on prevailing market prices, renew the subscription on an annual basis or enter into a new subscription with us for new models of devices and hardware.

Since 6 January 2020 (i.e. the date when our DaaS subscription first commenced), we have entered into 82 DaaS subscriptions with a total subscription value of RM255.86 million, and all our customers are located within Malaysia. Out of the 82 DaaS subscriptions, 72 are financed through third party leasing companies amounting to RM251.27 million and the remaining 10 are direct subscriptions with our Group amounting to RM4.59 million.

As at LPD, of the 72 DaaS contracts financed through third party leasing, we have started to fulfil 65 contracts with remaining tenures ranging from 9 to 57 months, and our Group has invoiced the full amount of the subscription value of RM174.12 million to third party leasing companies. The balance 7 contracts amounting to RM77.15 million with tenure ranging from 36 to 60 months have yet to commence as at LPD, and is expected to commence in the 4th quarter of 2022. These remaining 7 subscriptions will commence once we receive the ordered devices from our suppliers. Upon commencement of these 7 contracts, the full subscription value of each contract will be paid upfront by the third party leasing companies.

As at LPD, of the 10 DaaS contracts financed through direct subscriptions with our Group, we have completed 7 contracts amounting to RM0.20 million whereas the balance 3 contracts amounting to RM4.39 million have remaining tenures ranging from 15 to 19 months.

7. BUSINESS OVERVIEW (Cont'd)

(e) Managed ICT services

Managed ICT services is a service arising from service level agreements following the completion of setup, installation and networking services, or from standalone request. Our service level agreements comprise the provision of remote troubleshooting, fault rectification, system's performance improvement and maintenance, periodic software updates, monitoring of internet security protection, and/or detection and removal of spyware. Our service level agreements typically comprise a 1-year or 2-year contract, in which upon expiry, we provide our customers with an annual renewal option. As at LPD, our support and maintenance services are provided to 3 customers located within Malaysia with a total contract value of RM0.88 million. The remaining tenures for the 3 customers range from 1 to 15 months.

Notwithstanding that we provide managed ICT services along with the sale of ICT products to our customers from the commercial channel, we also provide managed ICT services to these customers when we do not sell ICT products to them.

7.3.2.2 Provision of device repair and related services, as well as sale of broadband services

Our Group is also involved in the provision of device repair and related services, as well as sale of broadband services as follows:

(a) Device repair and related services

We are an Apple Authorised Service Provider authorised to provide in-house service and onsite support service for Apple products such as software troubleshooting and hardware components replacement. We provide services for Apple products through our service centres authorised by Apple. Our technicians who undertake repair of Apple products and after-sale services are required to attend trainings by Apple from time to time. Further details of the location of our service centres authorised by Apple are as set out in Section 7.3.4.

For services that are eligible for warranty claims, our Group has a back-to-back agreement with Apple for the replacement of faulty components whereas for services that are not eligible for warranty claims, customers are required to pay for the cost of repair and/or replacement of components.

(b) Broadband services

We are a TM Authorised Dealer appointed to resell, distribute and promote TM branded products and services, where the TM stores we operate are branded under "TMpoint". As at LPD, we offer TM broadband services for home and business (i.e. Unifi), Unifi mobile postpaid plans and Unifi Air. We sell TM products and services through agents (i.e. individuals and businesses); our self-operated TMpoint outlets, agent operated TMpoint outlets and TMpoint kiosks; self-operated mobile kiosks and agent operated mobile kiosks, and a TM Rover Program that allows us to promote TM products and services on the move. Customers are also able to make payments for their utility bills such as TM bills, electricity bills, Celcom bills and Astro bills, through our TMpoint outlets. Further details of the location of our TMpoint outlets/kiosks are as set out in Section 7.3.4.

7. BUSINESS OVERVIEW (Cont'd)

We are also a Celcom Authorised Dealer appointed to resell, distribute and promote Celcom branded products and services. As at LPD, we offer Celcom's broadband services for home and business. In addition, we are also a broadband reseller agent authorised to resell broadband services for the brand "Maxis Fibre" and "TIME Fibre". The brands of broadband services offered to customers are subject to the availability of infrastructure at the particular location as well as customers' preference.

As a dealer and agent, we are not involved in the installation of broadband services as well as the provision of after-sales service for broadband services sold through our Group.

Further, we are also involved in the provision of managed internet services to customers within the commercial segment whereby we provide dedicated internet access with a minimum of 99.5% guaranteed internet uptime with dedicated fibre optic pair. We had in April 2016 obtained an Applications Service Provider License by the Malaysian Communications and Multimedia Commission which allows us to purchase and repackage bandwidth sourced from bandwidth wholesale reseller, for onward sale to customers. The said licence is valid up to 31 May 2023, which we have been applying yearly for renewal since obtaining the licence in April 2016. Our provision of managed internet services is marketed under our house brand "CloudXis". Additional services that are also offered under CloudXis include Voice over Internet Protocol and Cloud Internet Protocol private branch exchange. On 22 December 2021, we submitted our application to register the trademark for our house brand, "CloudXis" with MyIPO which is currently pending approval from MyIPO. The registration of said trademark is under Class 38, Telecommunications.

The duration of contract for our managed internet services typically ranges between 3 to 5 years, in which upon expiry, we provide our customers with the option to renew the contract. The renewal term is subject to our customer's requirement, with a minimum renewal period of 1 year. As at LPD, our managed internet services is provided to 15 customers with a total contract value of RM5.87 million, and all our customers are located within Malaysia. The remaining tenures for 14 customers range up to 32 months, whereas 1 customer's contract have ended but are renewed with us on a month-to-month basis.

The rest of this page is intentionally left blank

7. BUSINESS OVERVIEW (Cont'd)**7.3.3 Our products****(a) Third party branded ICT products**

We offer an extensive range of third party branded ICT products to our customers. We purchase third party branded ICT products from brand principals and/or appointed distributors for onward sale to customers. As at LPD, the total number of brands and SKUs for third party branded ICT products, by product category, carried by our Group are as follows:

Product category	No. of brands	Top 10 brands by number of SKUs, in alphabetical order	No. of SKUs as at LPD
Laptops	18	Acer, Apple, Asus, Avita, Dell, HP, Huawei, Lenovo, Microsoft, MSI	4,756
Phones	22	Apple, Honor, Huawei, Lenovo, Mi, Motorola, Oppo, Samsung, Vivo, Asus	1,216
Tablets	5	Acer, Huawei, Lenovo, Samsung, Mi	148
Components ⁽¹⁾	120	Apple, Asus, Cooler Master, Corsair, Gigabyte, Intel, Kingston, MSI, ZOTAC, Thermaltake	3,253
Systems ⁽²⁾	42	Acer, Apple, Asus, Dell, HP, Intel, Lenovo, MSI, Synology, Huawei	1,471
Accessories ⁽³⁾	637	Amazingthing, Apple, Huawei, Logitech, Mi, Microsoft, Razer, UGREEN, Uniq, Vinnfier	15,786
Software	84	Adobe, AutoCAD, Cisco, FortiGate, F-Secure, Huawei, Kaspersky, Microsoft, Symantec, VMware	1,055
Digital signages, monitors and projectors ⁽⁴⁾	54	Acer, Asus, BenQ, Dell, HP, Lenovo, LG, MSI, Samsung, Viewsonic	1,224
Networking, cameras, security and CCTVs ⁽⁵⁾	129	Asus, Cisco, Commscope, Dintek, D-Link, Hikvision, HP, Huawei, Logitech, TP-Link	1,405
Printers, inks and toners ⁽⁶⁾	35	Brother, Canon, Epson, Fuji Xerox, HP, OKI, Panasonic, RICOH, Samsung, Zebra	1,150
Storage ⁽⁷⁾	54	ADATA, Apacer, Hikvision, Kingston, Samsung, SanDisk, Seagate, Team, Transcend, Western Digital	1,004
Others ⁽⁸⁾	99	APC, Apple, Cisco, Dell, Huawei, HP, Lenovo, Mi, Samsung, Shield Care	1,165
			33,633

Notes:

(1) Comprises graphic cards, casing, disc drives, motherboards, processors, parts, power supply units and RAM systems.

(2) Comprises desktops, workstations and servers.

7. BUSINESS OVERVIEW (Cont'd)

- (3) Comprises adapters, bags/ back packs, batteries, cables, gaming chairs, fans, headsets, hubs, keyboards, mouse, power banks, scanners, speakers, uninterrupted power supplies, USB cables and other related accessories.
- (4) Comprises digital signages, monitors, screens and projectors.
- (5) Comprises modems, racks, routers, switches, cameras and other related networking equipment.
- (6) Comprises printers, drums, inks, ribbons and toners.
- (7) Comprises memory cards, hard discs, hard drives, SSD and USB drives.
- (8) Comprises warranty extension as stated in Section 7.3.3(c), devices protection plan, broadband services, household electrical products, other related peripherals and other related services.

Among the brands of ICT products that we carry, we are an authorised dealer for Acer, Adobe, AMD, APC, Apple, Asus, Dell, Epson, F-Secure, Huawei, HP, Intel, Lenovo, LG, Microsoft, MSI, Samsung, TM and UGREEN. Being an authorised dealer, brand principals may, at times, provide our Group with pricing benefits, product training and/or marketing subsidies such as marketing funds, buntings, banners, digital assets and promotional gifts to support our marketing activities. For other brands which we are not an authorised dealer, we will be able to continue selling the brands of ICT products but we may not receive marketing support from the brand principals.

(b) House brand of ICT products, JOI®

We are the brand principal for JOI®. Our JOI® trademark was first registered with MyIPO in 2014 for various JOI® ICT products, and we continued to register for new trademarks for new JOI® ICT products over the years. JOI® ICT products are developed to primarily offer affordable ICT products to customers.

Our JOI® ICT products are aimed at addressing a pricing gap in the ICT market, as our JOI® products are generally priced lower when compared with products of similar specifications from other third party ICT brands. As such, our JOI® products are targeted at customers seeking more affordable ICT products and hence, our JOI® ICT products do not generally compete with our third party branded ICT products of the same specification. The offering of our JOI® ICT products, in addition to other third party branded ICT products, is intended to provide our customers with a wider range of selection to cater to their individual needs and budgets, thus allowing our Group to also capture market opportunities arising from the demand for affordable ICT products.

Products specification for all JOI® ICT products are decided in-house and we will engage third party OEM in China and Taiwan to source for components and assemble the products according to our specifications, save for JOI® desktops. The design for JOI® ICT products will be based on our OEM's standard product designs.





For JOI® desktops, we source for components from local and overseas suppliers (i.e. China and Taiwan) and our in-house assembly team will assemble the JOI® desktops. The main components that we source include casings, processors, motherboards, RAMs, SSDs, hard discs, optical DVD drives, power supplies, network cards, graphic cards and liquid coolers.

7. BUSINESS OVERVIEW (Cont'd)




We engage third party OEM for the assembly of our JOI® ICT products, save for JOI® desktops, as the other products (i.e. laptops and tablets) relates to higher-end technology products, which assembly can only be done in a factory. Conversely, JOI® desktops is highly customisable based on customers' requirement. Thus, it is more economical for us to assemble the JOI® desktops in-house and also to provide flexibility to our customers.

We use Intel's processors as the main component of all our JOI® ICT products; and Microsoft's software as the main supporting software, such as Windows operating system and Microsoft Office software. While we use Intel's processors and Microsoft's software for our JOI® ICT products, we are not dependent on Intel and Microsoft. In the event that we are unable to source for the components and software directly from Intel and Microsoft, we are able to source for similar components and software from other suppliers of Intel and Microsoft products. Further, in the unlikely event that we are unable to use Intel's processors and Microsoft's software in our JOI® ICT products, we are able to source for other processors and software for our JOI® ICT products. Having said that, our Group believes that it is unlikely for Intel and Microsoft to restrict the use of their components and software respectively in our JOI® ICT products as most brands of ICT products globally uses Intel's processors and Microsoft's software.

As at LPD, our range of offerings for JOI® ICT products, the number of SKUs by product category and warranty period are as follows:

Product category	JOI® product image	No. of SKUs as at LPD	Warranty period
Laptops		24	1 to 3 years
Tablets		12	1 year
Desktops ⁽¹⁾		36	1 to 3 years
Content media servers (i.e. JOI® Connect)		4	1 to 2 years

7. BUSINESS OVERVIEW (Cont'd)

Product category	JOI® product image	No. of SKUs as at LPD	Warranty period
Interactive smartboards		7	3 years
Mobile charging stations		12	1 year
Related peripherals ⁽²⁾		35	6 months to 1 year
Software and components ⁽³⁾	Not applicable	233	6 months to 1 year
		363	

Notes:

- (1) Including Next Unit of Computing (i.e. JOI® Box).
- (2) Related peripherals are inclusive of keyboards, active pens and JOI® Open Pluggable Specification.
- (3) Products are mainly used in after sales service and repair of JOI® ICT products.

(c) After-sales services for our ICT products

We provide our customers with after-sales repair services. For software issues, we will perform remote software troubleshooting to resolve the issue. For hardware issues, we will deliver faulty devices to other third party authorised service centres for third party branded devices, or to our in-house service centres for Apple products and JOI® products.

As part of our after-sales repair services, we provide warranty claims for selected ICT products purchased from our Group, subject to the brand principals' provision of product warranty. For products with valid warranty status, we will assist our customers in handling warranty claims from brand principals and/or appointed distributors for third party brands whereas for our JOI® products, we will absorb the cost incurred for repair. Terms and conditions for warranty claims and the default warranty period may differ from product to product depending on the brands and types of products, in which our typical product warranty period ranges from 1 month to 3 years.

7. BUSINESS OVERVIEW (Cont'd)

For selected products, customers have the option to extend the warranty period through the purchase of extended warranty services or devices protection plans, whereby we will make payments to the brand principals on behalf of our customers to extend the warranty period. If extended warranty services/device protection plans are not offered by the brand principals, our Group will engage with third party service providers (i.e. agencies authorised to sell insurance policies on extended warranty services/device protection plans) to provide coverage for the extended warranty period on behalf of our customers. We have back-to-back agreements with our brand principals and/or appointed distributors for the warranty of third party branded ICT products. For JOI® ICT products, we have back-to-back agreements with third party OEMs for the warranty of components. For products that are not eligible for warranty claims, we will issue a quotation on the cost of repair to our customers, and we will proceed with repair after receiving confirmation from customers.

A summary of our after-sales repair services provided for third party branded ICT products and JOI® ICT products, segmented by products with warranty and products without/after warranty, are as detailed below:

ICT products	With warranty ⁽¹⁾			Without/After warranty ⁽²⁾		
	Software	Hardware	Repair cost	Software	Hardware	Repair cost
Apple products	In-house troubleshoot	In-house repair	Claim from principal	In-house troubleshoot	In-house repair	Paid by customer
JOI® products	In-house troubleshoot	In-house repair	Absorbed by our Group	In-house troubleshoot	In-house repair	Paid by customer
Other third party products	In-house troubleshoot	Send for third party repair ⁽³⁾	Claim from principal/distributor	In-house troubleshoot	In-house repair	Paid by customer

Notes:

- (1) Customers are entitled to product warranty claims and the cost incurred for product repair will be borne by brand principals for third party branded ICT products and by our Group for JOI® ICT products.
- (2) Customers are not entitled to product warranty claims and the cost incurred for product repair will be borne by the customers.
- (3) We will send the products to other third party authorised service centres for repair.

We also provide onsite repair services to our customers for issues that cannot be resolved remotely such as device's internet connection issue and repair of bulky items (e.g. digital signages and JOI® smartboard).

Further, we have an exchange policy in place for ICT products purchased from our Group, whereby customers are entitled to claim for product exchange within 7 days from the date of purchase if the ICT products are found defective, subject to the terms and conditions set out for the respective products.

7. BUSINESS OVERVIEW (Cont'd)

7.3.4 Our location of operations and distribution channels

Our Group's headquarters is located at Jalan Sultan Nazrin Shah, Ipoh, Perak, where our core administrative functions and operations of online stores are managed. Our headquarters serves as our sales and marketing office for our operations throughout Malaysia and as a central storage facility for our inventory. We also have our in-house assembly line based at our headquarters to carry out the assembly of JOI® desktops.

We have a regional office located in 3 Two Square, Petaling Jaya to serve as our regional administrative, and sales and marketing office to support our operations in Klang Valley; a regional office located in Bayan Lepas, Penang to support our operations in Penang; and a regional office located in Johor Bahru, Johor to support our operations in Johor. In addition, we also engage third party logistics and warehousing services to support our operations throughout Malaysia.

Our sale of ICT products are carried out through the following channels:

(a) Physical store channel

Under our physical store channel, ICT products are sold to retail customers through our brand-specialty stores, multi-brand concept stores, and third party consignment counters:

(i) Brand-specialty store

A standalone outlet that carries and displays a majority of the brand principal's ICT products for sale, where the display of products in the outlet is overseen by the brand principal. As at LPD, our brand-specialty stores carry the brands of Apple (i.e. iTworld which is operated under SNS Network Malaysia), Acer, AMD, Asus, Dell, HP, Huawei, Lenovo, Mi, MSI, OMEN and Intel. These brand specialty stores may also comprise a minority display of products from other brands. After we decide on the product mix of other brands of ICT products for our brand-specialty stores (i.e. primarily to provide customers the convenience to compare similar products), we will seek approval from the store's brand principal before displaying these brands of ICT products.

Our brand-specialty stores are either self-operated or operated by our appointed operators.

(ii) Multi-brand concept store

A standalone outlet that carries and displays multiple brands of ICT products for sale. Our multi-brand concept store is marketed under the brand name "GLOO", is operated under SNS Network Malaysia.

Our multi-brand concept stores are either self-operated or operated by our appointed operators.

The brief description of terms for the operations of brand-specialty stores and multi-brand concept stores by our appointed operators are set out in Section 7.6(a). Depending on the requirements of each brand principal, we are required to obtain approval from them to appoint operators to further distribute our ICT products. Sales made to our appointed operators are on an outright basis.

7. BUSINESS OVERVIEW (Cont'd)**(iii) Consignment counters**

We also sell our ICT products through AEON consignment counters which are self-operated. Our consignment counters in AEON are marketed under the brand name "GLOO" and carries multi-branded ICT products for sale. As at LPD, we have consignment counters in 14 AEON departmental stores located in Kuala Lumpur, Selangor, Perak, Penang and Negeri Sembilan.

As at LPD, our products are sold through 56 brand-specialty stores (with additional 5 brand-specialty stores which are expected to commence operations by September 2022), 7 multi-brand concept stores and 14 consignment counters. The breakdown of our physical stores, operated by our Group or by our appointed operators are as detailed below:

Brand name	Central region ⁽¹⁾		Northern and East Coast regions ⁽²⁾		Total
	Self-operated	Operator	Self-operated	Operators	
Brand-specialty stores					
Apple (i.e. iTworld)	6	-	7	-	13
Acer	-	6 ⁽³⁾	-	-	6
AMD	-	4	-	-	4
Asus	-	9 ⁽³⁾	-	-	9
Dell	-	4	-	-	4
HP	-	4 ⁽³⁾	-	-	4
Huawei	-	2	3	-	5
Lenovo	-	3 ⁽³⁾	-	-	3
Mi	-	-	2 ⁽³⁾	-	2
MSI	-	3	-	-	3
Omen	-	1	-	-	1
Intel	-	2	-	-	2
Total	6	38	12	-	56
Multi-brand concept stores					
GLOO	2	5	-	-	7
AEON consignment counters					
GLOO	7	-	7	-	14
	15	47	20	-	82

Notes:

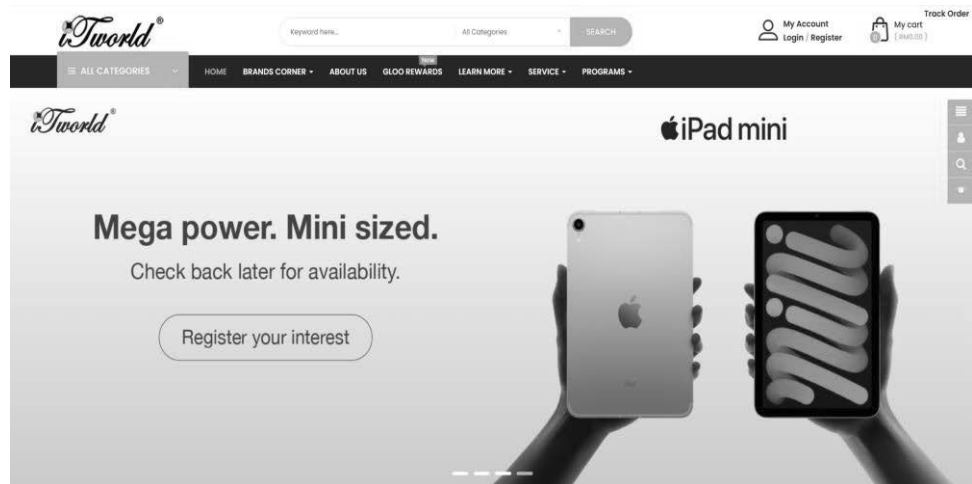
- (1) Central region comprises Kuala Lumpur, Selangor, Putrajaya and Negeri Sembilan.
- (2) Northern and East Coast regions comprises Perak, Penang and Kelantan.
- (3) Excludes 1 brand-specialty store each from Acer, Asus, HP, Lenovo and Mi which are expected to commence operations by September 2022.

7. BUSINESS OVERVIEW (Cont'd)

(b) Online store channel

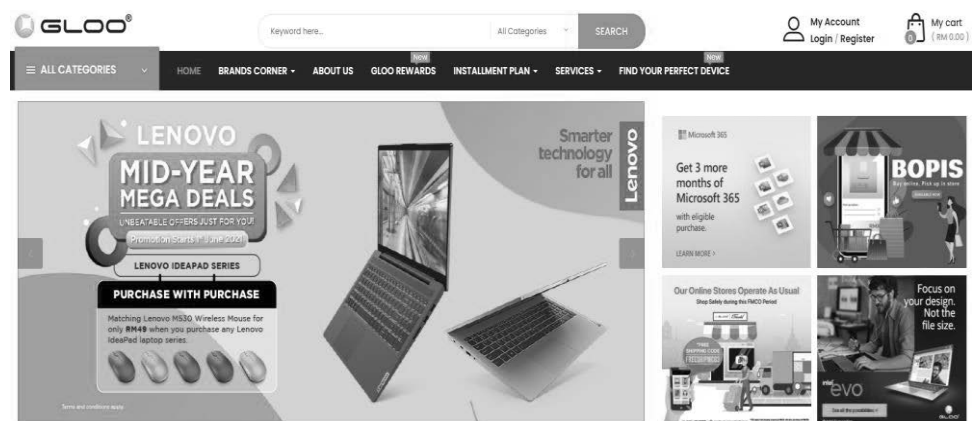
Under our online store channel, ICT products are sold to customers through our self-operated online stores, namely iTworld online store, GLOO online store and Notebook Plaza online store; as well as on third party online marketplaces, as follows:

(i) iTworld online store



Our iTworld online store at <https://www.itworld.com.my/> is an online version of our iTworld physical stores. Our iTworld online store, which is operated under SNS Network Malaysia, primarily focuses on the sale of premium brands of ICT products such as Apple and Microsoft, but may also carry other brands of ICT products. Promotional activities carried out in our iTworld physical stores will also be synchronised on our iTworld online store.

(ii) GLOO online store



Our GLOO online store at <https://www.gloo.com.my/> is an online version of our GLOO physical stores. Our GLOO online store carries multi-brands and a wide range of ICT products for sale. Promotional activities carried out in our GLOO physical stores will also be synchronised on our GLOO online store.

7. BUSINESS OVERVIEW (Cont'd)

(iii) Notebook Plaza online store



Our Notebook Plaza online store at <https://www.nbplaza.com.my/> is an online store specialising in the sale of multiple brands of laptops including JOI®. Our Notebook Plaza online store also offers other ICT products such as accessories, tablets and mobile phones.

(iv) Third party marketplaces

We have also set up brand-specialty online stores (e.g. iTworld, HP, APC, JOI, Lenovo, Acer, MSI, AMD, Dell) and multi-brand online stores (i.e. GLOO and Notebook Plaza) at various third party marketplaces such as Lazada, Shopee, PG Mall, Zalora, MyDunia, MyBeli and PIKOM Tech Marketplace. By establishing our presence on third party marketplaces, we are able to expand our customer reach and product exposure to customers who commonly browse third party marketplaces when making purchases online.

The pricing of our ICT products offered in our physical and online stores as well as on third party marketplaces differs according to the different promotional campaigns that are offered on each channel.

For all purchases made through our iTworld online store, GLOO online store and Notebook Plaza online store, we provide our customers the option for in-store pickup of their purchases or for delivery of purchases to their designated location. For all purchases made through third party marketplaces, we will deliver the products to our customer's designated location.

(c) Commercial channel

Under our commercial channel, ICT products are sold directly to businesses, government agencies and educational institutions. Businesses may purchase ICT products for onward sale to their customers or for their own use; whereas government agencies and educational institutions purchase ICT products mainly for their own use. Businesses that purchase ICT products for onward sale to their customers are other ICT products dealers, other ICT specialty store retailers, chain store retailers and supermarket operators.

7. BUSINESS OVERVIEW (Cont'd)

Our sales to businesses, government agencies and educational institutions are secured through purchase orders or project tenders. Our sales orders to businesses, government agencies and educational institutions are typically large and may comprise a wide combination of hardware, devices and equipment.

As at LPD, our Group has appointed operators to operate 47 of our brand-specialty stores and multi-brand concept stores that are spread throughout Kuala Lumpur and Selangor. Further details of the location of stores operated by our appointed operators are as set out above in Section 7.3.4(i) and brief description of terms for the operations of brand-specialty stores and multi-brand concept stores with our appointed operators are set out in Section 7.6(a). While the brand specialty stores and multi-brand concept stores are operated by our appointed operators, these operators are deemed as our customers under the commercial channel as we sell our ICT products to them for onward sale to their customers.

For the provision of device repair and related services, as well as sale of broadband services, we carry out these services through the following avenues, respectively:

(a) Service centre authorised by Apple

A standalone outlet that provides services for Apple products. We are an Apple Authorised Service Provider authorised to provide services for Apple products. Our Apple service centres are marketed under the brand name "iTworld".

Our service centres authorised by Apple are self-operated. As at LPD, we operate 3 service centres authorised by Apple, located at our headquarters in Ipoh, a shop unit owned by our Group in 3 Two Square, Petaling Jaya and a rented shop unit in Sunway Geo, Bandar Sunway respectively.

(b) Multiple channels for sale of broadband services

We engage agents (i.e. individuals and businesses), to market and sell TM products and services comprising TM broadband services for home and business (i.e. Unifi), Unifi mobile postpaid plans and Unifi Air. Our appointed agents are required to fill up a Broadband Partner Registration Form in order to officially carry out their obligations therein, and the applicable terms and conditions and business rules are those established by TM. The appointed agents will sell TM products to customers, and we will record those sales in the designated TM portal. Our Group will then pay sales commission to the appointed agents according to their recorded sales. As at LPD, we have 493 active agents, with active agents being defined as agents that have recorded at least 1 sales transaction in the 12 months preceding LPD. In addition, we are also a broadband reseller agent authorised to resell broadband services for the brand "Maxis Fibre" and "TIME Fibre". These broadband services are sold through our agents as well as through our headquarters.

TM products and services are also sold through our TM broadband reseller store which is a standalone outlet or kiosk that carries and displays TM's products and services for sale. The display of products in our outlets is overseen by TM. TM broadband reseller store is marketed under the brand name TMpoint. Our TM broadband reseller stores are operated in-house as well as by our appointed agents. Sale of TM's products and services are carried out at our self-operated TMpoint outlets located at Plaza Low Yat, Kuala Lumpur and Medan Meru Bestari, Ipoh; and agent operated TMpoint outlet located at Taman OUG Parklane, Kuala Lumpur and TMpoint kiosk located at Lotus's Manjung, Sitiawan (previously known as Tesco Manjung).

7. BUSINESS OVERVIEW (Cont'd)

We are also appointed by TM to participate in the TM Rover Program, a programme that allows our Group to promote and sell TM products and services on mobile kiosks (e.g. passenger car, truck and van). The mobile kiosks are operated in-house as well as by our appointed agents. As at LPD, we have a total of 18 mobile kiosks that are operated by our Group and 35 mobile kiosks that are operated by our agents.

For CloudXis, our managed internet services, the services are sold through our headquarters.

7.3.5 Cash management

We have an internal cash management policy to prevent mishandling of funds at our physical stores. Our cash management policy is designed to standardise practices with respect to cash handling and cash deposits to prevent possibilities of cash mismanagement and fraud.

Our cash management policy outlines the responsibilities of our staff, including:

- (a) to receive, deposit and/or disburse cash;
- (b) to reconcile cash, credit card and e-wallet payment with daily sales transactions and to fill in end-of-day closing statement;
- (c) to ensure cash and equivalents are handled in a safe manner; and
- (d) to ensure cash is deposited in the designated bank account according to the planned deposit schedule which may range from twice a week to once every two weeks depending on stores.

In the event of fraud, mismanagement or mishandling of cash, we will take appropriate action such as conducting internal inquiries, taking disciplinary actions or reporting such incidences to the police, as required.

7.3.6 Security and loss prevention

Our headquarters, including our storage facility, and physical stores may be affected by pilferage, shoplifting and theft. Our headquarters is patrolled by third party security service provider and monitored by CCTVs. We also undertake regular total stock counting processes to ensure early detection of stock loss at our storage facility and physical stores.

Further, to minimise the risks at our physical stores, we maintain strict security procedures, which includes random store checks by our headquarters staff, routine checks on products display and maintaining minimal cash in the cash tills. In addition, we have installed CCTVs at all our physical stores. Most of our physical stores are also equipped with anti-theft systems such as sensor tags and security labels on our products, to further monitor any incidences of pilferage, shoplifting and theft.

The above measures allow us to investigate, trace and resolve any incidences of pilferage, shoplifting and theft.

7. BUSINESS OVERVIEW (Cont'd)

7.3.7 Insurance

We have purchased insurance policies to cover a variety of risks that are relevant to our business needs and operations, and customary in our industry, such as fire and burglary insurance, public liability insurance and personal accident insurance, where applicable, for our headquarters, regional offices and physical stores. These insurance policies have specifications and insured limits that we believe are appropriate, taking into consideration our risk level and exposure to such loss, the cost of such insurance, applicable regulatory requirements and the prevailing industry practice in Malaysia. Our Group's total insurance coverage as at LPD amounts to RM44.88 million. For the financial years under review, there were no material claims of the above-mentioned insurances.

The rest of this page is intentionally left blank

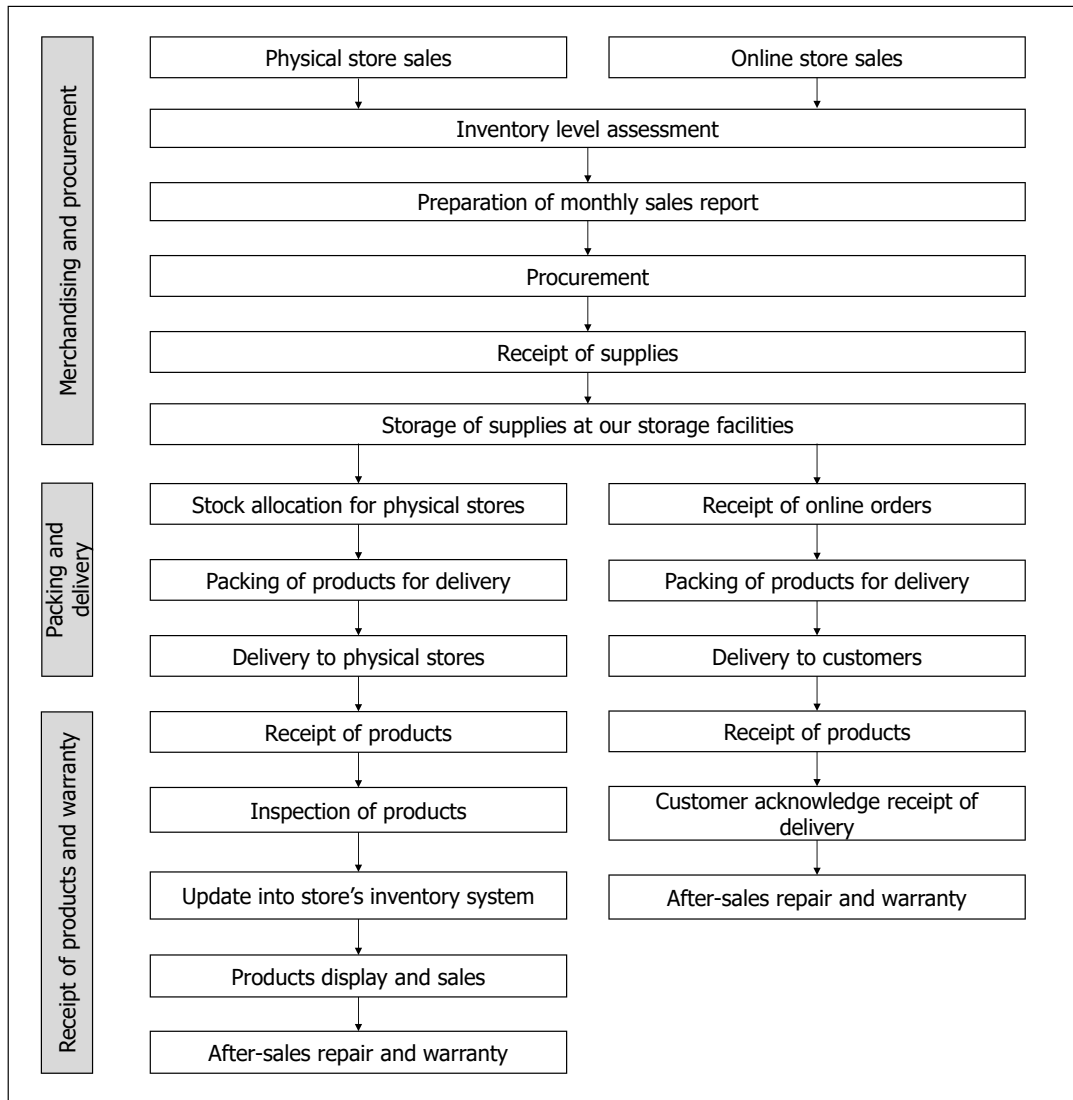
7. BUSINESS OVERVIEW (Cont'd)

7.4 BUSINESS PROCESSES

7.4.1 Our business processes

(a) Sale of ICT products comprising hardware, devices, and related peripherals, as well as the provision of ICT services and solutions

Sales through physical store channel and online store channel



Merchandising and procurement

We will assess our inventory level based on the inventory report and identify the type and quantity of products to be purchased from our suppliers (i.e. brand principals, appointed distributors and OEMS) and place orders accordingly. Depending on the products, orders may be placed on a weekly or monthly basis. Upon delivery of products from our suppliers, we will store them in our storage area.

We will also generate monthly sales reports which are sent to brand principals and/or appointed distributors for their record and assessment. Our brand principals and/or appointed distributors will also assess our purchases, in terms of quantity and range of products, by monitoring our purchase orders.

7. BUSINESS OVERVIEW (Cont'd)

Packing and delivery

For our physical stores, we will determine the stock allocation and replenishment requirements based on the sales target, sales performance, product mix, inventory level and promotional activities for each store. Retail staff at our physical stores will also request for stock replenishment on a need-to basis in the event that any product is out of stock or is in high demand. Upon confirmation of the type and quantity of replenishment for each store, we will pack the products accordingly and prepare for delivery. The products will be delivered by our in-house logistics team to our outlets on a weekly basis.

For sales received through our online stores, we will retrieve the products from our storage facility and pack them for delivery. If any of the products are unavailable at our storage facility, we will check for the availability at our physical stores and pack them for delivery. If the products are also unavailable at our physical stores, we will place a separate purchase order to replenish the said products from our brand principals and/or appointed distributors. Once orders are packed, we will update the shipping status on customer's account and inform third party logistics service providers to collect the parcel.

Receipt of products and warranty

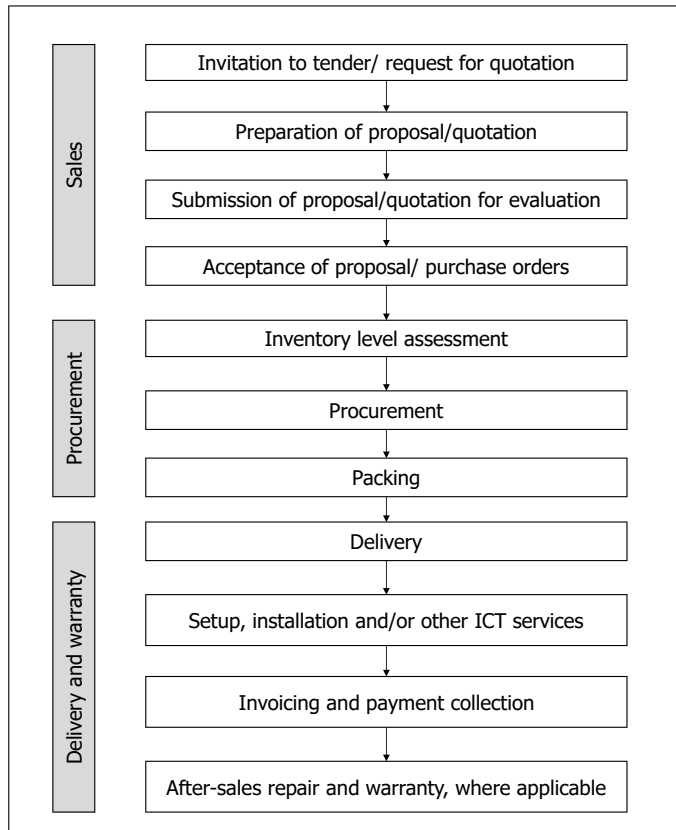
For delivery to physical stores, upon receipt of the products, our retail staff will perform an inspection to ensure that the order is complete and products are not damaged. Once inspection is completed, the products will be updated into the respective store's inventory system. Products will be displayed in our physical stores for sale to retail customers. For customers that have pre-ordered their products due to unavailability of stock at our physical stores, our retail staff will inform the customers to collect their products once the stock has been replenished in the store. Completed sales will be recorded in the respective store's inventory system to generate monthly sales reporting.

For online sales delivery, the parcel will be delivered to our customers by third party logistics service providers. Upon the receipt of products, our customers are required to acknowledge receipt from the third party logistics service providers.

We provide after-sales repair services and product warranty claims to our customers for purchases of ICT products from our Group. Further details of our after-sales repair services and product warranty claims are as set out in Section 7.3.3(c).

7. BUSINESS OVERVIEW (Cont'd)

Sales through commercial channel



Sales

Upon receiving an invitation to tender, or a request for quotation, we will gather information regarding our customer’s requirement, scale of implementation and/or budget before proceeding to prepare a proposal/quotation for the customer. Further, our Group also takes the initiative to identify and participate in tenders listed on various tender platforms. In preparing the proposal/quotation, if the required stocks are not available in our inventory, we will check on the product costing with suppliers; whereas if the stocks are available in our inventory, we will prepare the proposal/quotation based on the cost of stock on-hand. The proposal will then be submitted to our customers for evaluation. For tenders, once selected as the supplier, we will sign a letter of award as formal acceptance of our proposal; whereas for quotation, we will receive purchase order from our customer.

Procurement

Upon the confirmation of a sale, we will check our inventory for the availability of stock to fulfil the confirmed sales. If there is insufficient stock, we will make the necessary purchases from our suppliers (i.e. brand principals, appointed distributors and OEMs). Once the stocks have been replenished, we will pack the products and prepare for delivery.

7. BUSINESS OVERVIEW (Cont'd)

Delivery and warranty

The products will be delivered to our customers according to the pre-agreed delivery schedule upon the issuance of invoice. For tender/quotation that requires product setup and installation, we will conduct setup and installation services upon the delivery of products to our customer's premise. For sales that does not involve ICT products, we will provide the services to our customers based on the pre-agreed schedule for service implementation.

Once completed, our customers are required to acknowledge receipt by signing off on the delivery order. For customers with credit terms, payments will be collected within the agreed credit period which typically ranges between 7 to 120 days. For customers without credit terms, full payments are required before the products and/or services are delivered.

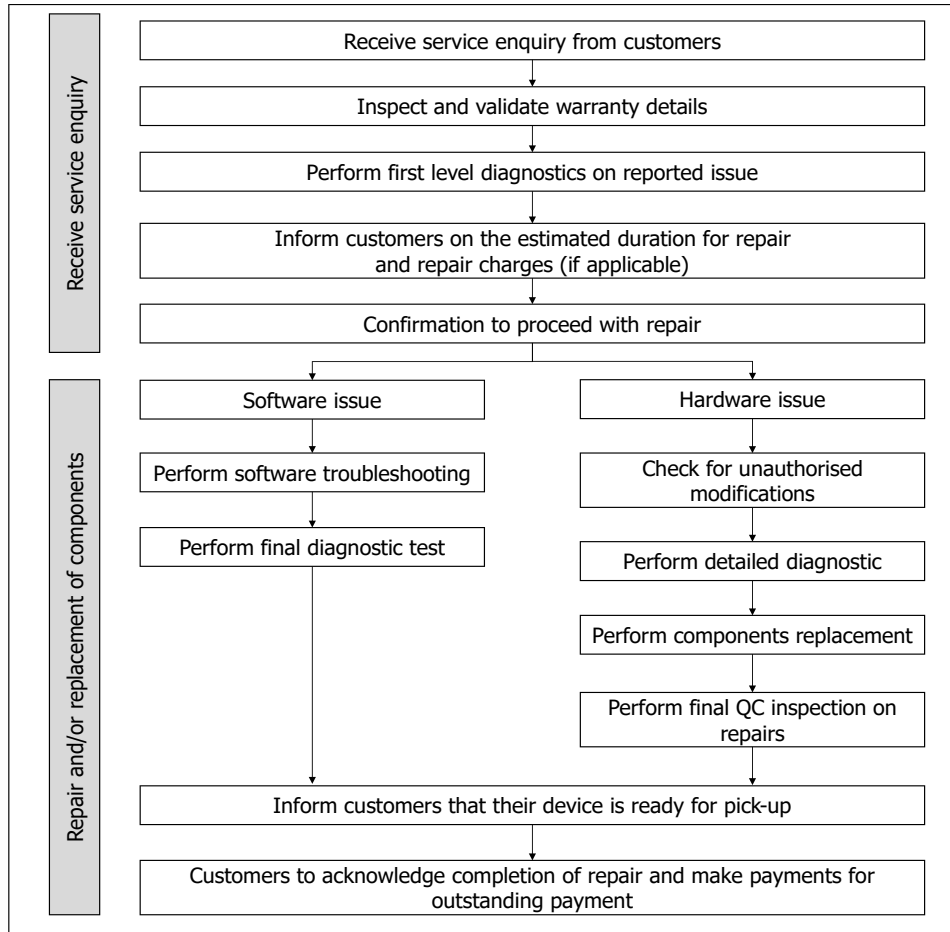
We provide after-sales repair services and product warranty claims to our customers for purchase of ICT products from our Group. Further details of our after-sales repair services and product warranty claims are as set out in Section 7.3.3(c).

The rest of this page is intentionally left blank

7. BUSINESS OVERVIEW (Cont'd)

(b) Provision of device repair and related services, as well as sale of broadband services

Provision of device repair and related services



Receive service enquiry

We receive service enquiries from customers at our service centres authorised by Apple for all Apple products. We will inspect and validate on the eligibility of product warranty. First level diagnostics will be performed to diagnose the reported issue and to isolate the device into hardware issue and software issue. Based on this preliminary assessment, we will be able to provide an estimated duration for the service as well as the estimated cost, if applicable, to the customer.

If the device is eligible for warranty claims under the warranty policy, we will proceed with the necessary procedures to claim components and/or service cost from our brand principal. However, if the device is not eligible for warranty claims, customers will be informed of the service charges and/or cost of components replacement. Upon receipt of confirmation from customers on the service charges and/or cost of components replacement, we will proceed to perform repair and/or replacement works.

7. BUSINESS OVERVIEW (Cont'd)

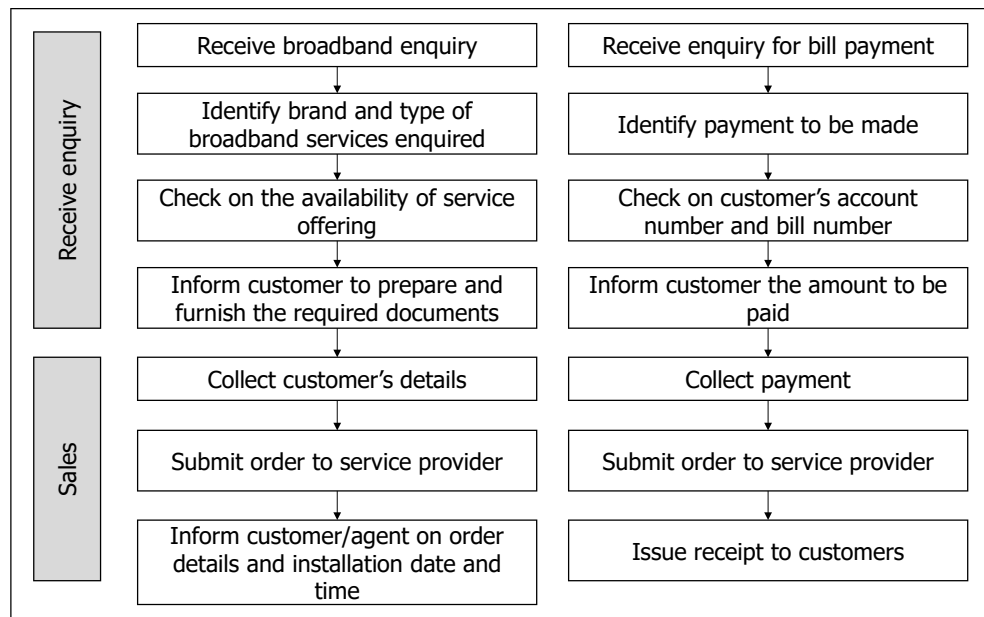
Repair and/or replacement of components

For issues related to software, we will perform software troubleshooting and rectify the issue accordingly. Once completed, we will perform a final quality control inspection to ensure that the device is functioning as required.

For issues related to hardware, we will inspect for unauthorised modification made to the device. If any unauthorised modifications are detected, we will reject the device and return it to customers. Once confirmed that there is no unauthorised modification, we will perform a detailed diagnostic on the device to identify the cause of the issue and components to be replaced. We will then replace the faulty components. A final quality control inspection will be performed on the device to ensure that the issue is resolved and the device is functioning according to the standard set out by our brand principal.

Upon completion of the service, customers will be notified to pick-up their devices from our service centres. We will explain to customers on the repair and/or replacement of components undertaken and present to customers that the repaired devices are functioning as required. Customers are required to acknowledge completion of service, and make payment for the service.

Broadband reseller services



Receive enquiry and sales

Upon receiving broadband enquiries from customers, we will identify the brand, type of broadband services required and check on the availability of service offering at the registered location for installation. If the service offering is unavailable at the registered location, we will promote alternate brands of broadband services to customers. Upon customer's confirmation of the brand and type of broadband service, we will inform the customer to prepare and furnish the required documents to proceed with installation.

7. BUSINESS OVERVIEW (Cont'd)

We will then collect customer's details and ensure that all the requisite documents are clear, correct and complete. If any information is found unclear, incorrect or incomplete, we will request the customer to provide the revised documents. Once all documents are in place, we will submit the order to our broadband service provider. Upon acceptance of order by our broadband service provider, we will inform our customers of the order details and the installation date and time. For sales secured by our appointed agents, the agents will be responsible for the entire process from attending to enquiries, submitting orders to broadband service provider and informing customers on the installation date and time.

For enquiry on bill payment, we will confirm with customers on the type of bill payment to be made. We will then proceed to check on the customer's account number and bill number. Upon confirming the details with the customer, we will inform the customer on the amount to be paid. We will collect the payment amount from the customer and submit the payment order to our service provider. Once completed, we will issue a receipt to the customer as proof of payment.

7.4.2 Key equipment

A summary of the key equipment owned and used by our Group to facilitate our daily business operations are set out as below:

Key equipment	Function	No. of units	(1) Average lifespan (years)	(2) Average age (years)	(3) Audited NBV as at 31 January 2022 (RM'000)
Accounting software	Accounting software for accounting purposes	4	10	4.3	241
ERP system	ERP software to manage and integrate business processes	1	10	3.0	20
Server	For data storage purposes	3	10	2.3	80
Hard-disk duplicator	To duplicate hard-disk	1	10	1.0	25
Truck/van	For the delivery of goods	10	8.5	5.5	340
Van	For the marketing and sale of TM products and services	4	10	1.5	324
Forklift	To support the operations at our storage area	1	10	2.0	18
					1,048

Notes:

- (1) Notwithstanding the average lifespan of the equipment, our Group's depreciation policy is 4 to 10 years.
- (2) Average age of the equipment is computed from the year of purchase and up to LPD.

7. BUSINESS OVERVIEW (Cont'd)

(3) Includes key equipment that have been fully depreciated.

7.5 PRINCIPAL BUSINESS SEGMENTS AND MARKETS

Our business segments are categorised into the sale of ICT products segment and provision of device repair and related services, as well as sale of broadband services segment as follows:

Revenue by business segment	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sale of ICT products ⁽¹⁾	582,212	98.0	663,450	98.2	710,316	98.5	1,099,266	98.9
Provision of device repair and related services, as well as sale of broadband services	11,928	2.0	11,832	1.8	11,153	1.5	12,742	1.1
	594,140	100.0	675,282	100.0	721,469	100.0	1,112,008	100.0

Note:

(1) Comprises hardware, devices, and related peripherals, as well as the provision of ICT services and solutions.

During FYE 2019 to 2022, sale of ICT products was the largest revenue contributor to our Group as it contributed 98.0%, 98.2%, 98.5% and 98.9% to our Group's total revenue respectively.

The breakdown of our Group's revenue segmentation by geographical markets is as follows:

Revenue by geographical markets	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	458,670	77.2	452,831	67.1	644,494	89.3	958,082	86.2
Overseas:								
Hong Kong	91,581	15.4	185,260	27.4	58,734	8.1	130,629	11.7
Singapore	32,598	5.5	25,856	3.8	11,644	1.6	15,430	1.4
Others ⁽¹⁾	11,291	1.9	11,335	1.7	6,597	0.9	7,867	0.7
	135,470	22.8	222,451	32.9	76,975	10.7	153,926	13.8
	594,140	100.0	675,282	100.0	721,469	100.0	1,112,008	100.0

Note:

(1) Comprises Maldives, United Arab Emirates, Vietnam, Australia, Germany, Indonesia, USA and France. Save for Maldives which contributed 1.1%, 1.1%, 0.7% and 0.4% to our Group's revenue for FYE 2019 to 2022 respectively, revenue from the other countries contributed less than 0.6% each to our Group's revenue for FYE 2019 to 2022 respectively.

For FYE 2019 to 2022, local sales were the largest revenue contributor to our Group as it contributed 77.2%, 67.1%, 89.3% and 86.2% to our Group's total revenue respectively.

7. BUSINESS OVERVIEW (Cont'd)

7.6 SALES AND MARKETING

Our Group's overall sales and marketing activities are spearheaded by our Executive Director, Pah Wai Onn. We actively engage in the following sales and marketing strategies:

(a) Appointment of operators for our physical store channel

Our Group appoints operators to operate some of our brand-specialty stores and multi-brand concept stores. Operators that are appointed by our Group are required to market, purchase and sell ICT products within their respective territories. All of our operators are initially our customers which we have sold our ICT products to for a period of time. The appointment of operators is based on their sales track record (i.e. amount of ICT products that they have bought from us before) and the promptness of their payment to us. We also set sales targets for our operators. Our Group has the right to terminate and replace an operator in the event that the operator is unable to achieve its sales target.

Under the operator model, the operators will source their ICT products from us for resale to their customers. In addition, our Group will also undertake branding, marketing, training, inventory planning and allocation, provision of demonstration units, sourcing of store location, store renovation as well as initial business licence application for the stores and will be responsible for the costs of the above, for which we will earn a monthly fee from the operator which is determined based on the location and size of the brand-specialty stores and multi-brand concept stores operated by the operator. This operator model is intended to improve our Group's catchment and extend our market reach to more customers as we are able to sell our ICT products through a wider sales channel. Further, through this model, we do not need to invest in our own resources nor manage the manpower at the physical stores to carry out sales activities.

(b) Digital and print advertising

We place digital and print advertisements to promote our brands, product and advertise promotions and campaigns as well as new products and services launch. Our advertisements are placed on various media such as social media platforms, digital websites and outdoor advertisement.

We advertise and market our ICT products, services and solutions through various platforms to enhance our brand presence and market outreach. We advertise our brands "SNS Network", "iTworld", "GLOO", "JOI®" and "Notebook Plaza" through social media platforms such as Facebook, Instagram, LinkedIn, Twitter and YouTube. "SNS Network" remains as our Group's name and commercial brand whereas the brand "GLOO" is used for marketing to the consumer mass market.

We also implement other advertising strategies from time to time, such as advertising our products and brands through point of sales materials (e.g. flyers, buntings and marketing board), key opinion leader's social media posting, e-newsletter, advertising through digital websites and search engines, third party media editorial, online marketplace advertising, cinema advertisement, outdoor billboard advertisement, train station billboard advertisement and bus advertisement.

In addition, we advertise through article publications on digital newspapers mediums such as New Straits Times, The Edge Markets, The Star, Sin Chew Daily, Berita Harian, Kosmo, Harian Metro, Malay Mail, The Malaysian Reserve and Utusan Malaysia.

7. BUSINESS OVERVIEW (Cont'd)

(c) Marketing campaigns

The following promotional campaigns are held several times a year, to promote our brands, products, services and solutions:

Key campaign	Description
Seasonal campaign	We hold seasonal campaigns (e.g. Chinese New Year sales, Hari Raya Aidilfitri sales, Deepavali sales and Pre-Christmas sales) and key campaigns (e.g. Merdeka sales, Malaysia Day sales, 8.8 brands festival sales, 11.11 brands festival sales and 12.12 brands festival sales), where we launch sales and promotional activities in our physical stores and our online stores.
Members' day	GLOO members' day is held to reward members by offering attractive promotions for redemption via reward points. It is usually held once a year during the month of September.
SNS in-house roadshow	We organise our in-house roadshows, mainly at Plaza Low Yat, Kuala Lumpur to promote our ICT products, services and solutions. The roadshows are organised once every 1 to 4 months. Subsequent to the outbreak of the COVID-19 pandemic, we have been organising our roadshows through virtual platforms as part of our continuous marketing effort. We have since January 2022 begin planning our roadshows and we have resumed our physical roadshow since May 2022.
Third party IT fair	We participate in third party IT trade fairs to enhance our market presence as well as to promote our ICT products, services and solutions to customers. Further, such participation also allows us to keep abreast with the latest market trends and demands. In light of the COVID-19 pandemic, we had reduced our participations in trade fairs organised by third party organisers in 2020 and 2021. Our Group will resume participation in trade fairs organised by third party organisers from the 3 rd quarter of 2022 onwards.

The rest of this page is intentionally left blank

7. BUSINESS OVERVIEW (Cont'd)

(d) Loyalty programme, GLOO rewards

We also actively recruit customers to join our loyalty programme, namely GLOO rewards. Customers who sign up for our GLOO rewards (either through our physical store channel or online store channel) are entitled to benefits and privileges such as extended warranty, member prices for selected products, free delivery, and rewards and points redemption. GLOO rewards and points can be accumulated and redeemed from all our physical stores (i.e. brand-specialty stores, multi-brand concept stores and consignment counters) and online stores on our in-house operated e-commerce platforms (i.e. GLOO online store and iTworld online store). As at LPD, we have approximately 125,357 registered GLOO members, all of which are active members. The terms of the memberships are as follows:

- (i) All members' accounts are individual accounts and each individual is only entitled to one membership account;
- (ii) There are no membership sign up fees payable by regular members, RM12.00 for Silver members, RM25.00 for Gold members and RM50.00 for Platinum members;
- (iii) The regular members are entitled to a lifetime membership, whereas the validity period for the Silver, Gold and Platinum membership is 12 months;
- (iv) A renewal fee of RM12.00, RM25.00 and RM50.00 is payable by Silver, Gold and Platinum members respectively; and
- (v) Different types of membership provides different extent of membership benefits such as, amongst others, birthday exclusive offers, extended 1-year warranty for purchased products at an exclusive price and cash offset with reward points.



(e) Seminars, workshops and virtual events

We participate in seminars, workshops and virtual events organised by third parties as a speaker to provide ICT related contents as well as to promote our ICT products, services and solutions. During the event, we actively engage with participants by delivering graphics demonstrations and quizzes to encourage interactive communications. Through this we are able to gain feedback and insights on latest trends and demand to continuously enhance our products, services and solutions offerings.

We generally do not participate in international events but our Executive Directors attend ICT events through invitation. Through networking in these international events, our Executive Directors manage to secure sales from overseas customers.

7. BUSINESS OVERVIEW (Cont'd)

(f) Direct approach and project tender

New customers from the commercial channel are typically secured through direct contact with potential customers or through project tenders. Our sales and marketing team constantly keep themselves abreast with industry updates through fairs and exhibitions and collecting market information in order to identify potential customers. Thereafter, we will approach these prospective customers through cold calling to promote our products, services and solutions.

Project tenders for corporate projects and government projects may be secured through direct approach or indirect approach. For direct approach, we will submit our tender directly with the project owners; whereas for indirect approach, we collaborate with other partners who will secure those projects under their capacity and each party will contribute according to the pre-agreed scope of responsibilities.

For CloudXis, our managed internet services, we generally sell this services through our sales personnel at our headquarters. As CloudXis is more expensive in nature as compared to other broadband services, our sales personnel will approach corporate clientele. As at LPD, there are currently no marketing effort undertaken (i.e. advertising or promotions) by our Group for "CloudXis".

(g) Telemarketing

We have our in-house telemarketing team to promote and sell our broadband services. As and when required, we may also leverage on telemarketing method to promote a specific upcoming product and/or services launch.

Through telemarketing, we are able to gauge customer's needs and recommend suitable products or services to customers over the phone. Thus, we can actively follow up and keep customers updated with the latest promotions and consequently enable us to build stronger relationships with our customers.

(h) Corporate website and online stores

We have registered our corporate website at <https://www.sns.com.my/> to establish our corporate brand, "SNS Network" as well as to provide immediate searchable information on our ICT products, services and solutions offering. Customers are able to search for the brands of ICT products that we offer as well as information on our latest product offerings and promotional activities.

Our corporate website is also used to direct customers to our house brand of online stores namely "iTworld" at <https://www.itworld.com.my/>, "GLOO" at <https://www.gloo.com.my/> and "Notebook Plaza" at <https://www.nbplaza.com.my/>. Through our online stores, customers are able to search and make online purchases for their desired ICT products and have it delivered to their designated location nationwide.

Our corporate website and online stores also serve as a platform for customers to connect with our customer care team for enquiries on our offerings and to lodge complaints.

The current widespread use of internet as a source of information enables us to cross geographical borders and facilitate access from any part of Malaysia as well as internationally, thus enhancing our potential market reach and exposures beyond the locations of our physical stores.

7. BUSINESS OVERVIEW (*Cont'd*)

7.7 TECHNOLOGY USED OR TO BE USED

We use, and will continue to invest in, relevant technologies to enable our various operational platforms and departments to communicate and share information as well as to improve efficiency, profitability and competitiveness. We utilise the following software for our business operations in our headquarters and physical stores:

Technology/ Software	Description
ERP system	Comprises modules which are integrated with other systems of our core business functions, allowing relevant personnel to update, store, manage, interpret, and retrieve data, which thus facilitate the flow of information of our core business functions. Modules within our ERP system include financial management module and inventory management module. Other systems which are integrated to our ERP system include, retail management system and our in-house developed e-commerce system.
Cloud- based retail management system (" RMS ")	Used in our headquarters to generate reports for sales performance and the inventory levels at our physical stores. RMS is used in our physical stores to perform transactions including sales, exchanges, returns and warranty claims. It is also used to record payment amounts and method of payment, monitor cash and outlet's inventory levels, generate sales reports and record information on our GLOO members.
E-commerce platform management system	Developed our in-house e-commerce platform management system to support the operations of our online stores such as product information management, sales, orders and inventory management, sales reporting, integration to third party marketplaces and payment gateways, delivery, membership and rewards.
Customer service support system	A service portal used by our customer service team to manage ICT products, services and solutions enquiries as well as to provide after-sales support for all ICT products, services and solutions.

7.8 INTERRUPTIONS IN BUSINESS

Save as disclosed below, our Group has not experienced any interruption that had significant effect on our operations during the 12 months preceding LPD.

Impact of COVID-19 on the operations of our Group

Our business and operations faced temporary interruption from the outbreak of the COVID-19 pandemic. The imposition of the 1st MCO effective from 18 March 2020 to 3 May 2020 by the Government to contain the spread of the virus resulted in mandatory closure of all government and private premises, except those involved in essential services, unless written permission was obtained from the relevant governmental bodies.

Subsequent to that, the Government had implemented different forms of MCOs from 4 May 2020 to 31 May 2021. While our Group was allowed to operate throughout this period, we are required to comply with the changes in SOP outlined by MITI and the respective local state authorities, as our operations are located nationwide.

7. BUSINESS OVERVIEW (Cont'd)

Following the resurgence of COVID-19 cases in first half of 2021, the Government implemented a four-phase recovery plan, known as NRP, whereby the Phase-1 NRP is a re-imposition of a nationwide lockdown beginning 1 June 2021. The phases of NRP vary from one state to another, depending on the improvement of COVID-19 cases in each state and the announcement by the Government. Beginning 17 July 2021, the Government gradually announced the transition of phases for states with lower record of COVID-19 cases, whereby further relaxation of economic activities was granted to the respective states.

The impact of MCO and NRP to our operations from 18 March 2020 up to LPD is as follows:

(a) Headquarters and regional offices

From 18 March 2020 to 6 May 2020, operations at our headquarters and regional offices were temporarily suspended. Nevertheless, we had implemented work-from-home arrangement to ensure the continued operations of our Group throughout the lockdown period.

We obtained an approval letter from MITI on 6 May 2020 and resumed our operations on 7 May 2020. Since then, we had rearranged our workforce capacity, implemented work-from-home arrangement and rotational work structure, as and when required, to comply with the latest SOP announced by MITI and the respective local state authorities.

Following the implementation of Phase-1 NRP nationwide, save for our online stores and broadband operations, all our other operations at our headquarters and regional offices were temporarily suspended. Nevertheless, we had implemented work-from-home arrangement to ensure the continued operations of our Group throughout the lockdown period. We resumed operations at our headquarters on 5 July 2021, and our regional offices in Selangor and Penang on 16 July 2021 and 21 July 2021 respectively. As at LPD, we are operating at full workforce capacity.

(b) Physical stores and online stores

From 18 March 2020 to 6 May 2020, operations at our physical stores were temporarily suspended.

We obtained approval letters from MITI on 6 May 2020 and we resumed operations at our physical stores on 7 May 2020 at approximately 30% workforce capacity. Since 7 May 2020 and up to LPD, we had rearranged our workforce capacity, as and when required, to comply with the latest SOP announced by MITI and the respective local state authorities.

Following the implementation of Phase-1 NRP nationwide, operations at our physical stores were temporarily suspended. Subject to the SOP of each individual state, we were able to gradually resume operations of our physical stores beginning 5 July 2021. As at LPD, all our physical stores are operating at full workforce capacity. Nevertheless, in the event where mall operators are required to temporarily suspend mall operations to carry out sanitisation works, the operations at our physical stores may also be affected.

Throughout the MCO and NRP, we did not experience any disruptions to the operations of our online stores.

7. BUSINESS OVERVIEW (Cont'd)

Beginning 1 April 2022, Malaysia entered into the "Transition to Endemic" phase. Amongst the relaxed rules and SOP, include the abolishment of restrictions on business operating hours (i.e. business owners are allowed to set the hours of operation according to the terms of their business licence) and the abolishment of limits on the number of personnel allowed in their workplace. The operations at our headquarters, regional offices and physical stores were not impacted by the enforcement of the "Transition to Endemic" phase.

Impact of COVID-19 on our sales and earnings prospects

We experienced delay in completing the delivery of our ICT products, services and/or solutions to our customers as a result of the 1st MCO and NRP, mainly due to the disruptions in logistics services, temporary suspension of operations at our headquarters and regional offices, and/or temporary suspension of customers' operations. Nevertheless, the delay due to the 1st MCO was gradually completed when we were allowed to resume our operations on 7 May 2020. Hence, this did not impact our revenue recognition for FYE 2021. Further, the delay due to Phase-1 NRP was also completed when we were allowed to resume our operations on 5 July 2021. Hence, our Group did not experience any material adverse impact on our revenue recognition for FYE 2022. In addition, there was no penalty imposed on our Group for the late delivery of ICT products, services and/or solutions during the 1st MCO and NRP.

During the 1st MCO and Phase-1 NRP when there was a nationwide lockdown, our physical stores were unable to operate. This had impacted our sales from these avenues during the 1st MCO and Phase-1 NRP. After the 1st MCO and Phase-1 NRP, sales from our physical store channel gradually recovered which resulted in increased revenue for the financial years under review. However, as the installation of broadband services could not be carried out, we were unable to recognise revenue from the sale of broadband services that was secured (e.g. through social media platforms, telemarketing and agents) during these periods.

Our Group experienced increased sales of ICT products from our online store channel as consumers shifted towards purchasing online. Further, the COVID-19 pandemic has led to a shift in consumers' behaviour, leading to a rise in work-from-home and virtual class practices which led to higher demand for ICT products and broadband services. Overall, our Group recorded higher revenue in the FYE 2021 and 2022 as compared to the FYE 2019 and 2020.

According to the IMR Report, ICT has become an essential part in everyday lives where it is used for communication, social and networking, e-commerce activities, e-sports and entertainment, working and learning purposes, amongst others, whereas, internet is one of the enablers and provides consumers with quicker and enhanced experience in such activities. The demand for ICT products and services among Malaysian increases in tandem with the growing usage of ICT for various activities. ICT products are important components in businesses as the dependency on technology continues to grow. The usage of ICT products is essential for businesses to run their operations, as well as to perform transactions with customers and suppliers.

Further, businesses also replace ICT products periodically for the usage of up-to-date technology in order to increase the efficiency of business operations, boost productivity, reduce maintenance costs and increase employees' satisfaction. As such, the prospects for our Group's ICT products, services and solutions will continue to be driven by the wide usage of ICT products amongst Malaysians, both individuals and businesses; replacement cycle of devices and continuous technology advancement; implementation of initiatives for digital transformation; and incorporation of ICT to promote digital education in schools in Malaysia.

Save as disclosed above, there were no material impact on our sales and earnings prospects arising from the COVID-19 pandemic and upon the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

7. BUSINESS OVERVIEW (Cont'd)***Impact of COVID-19 on our supply chain***

During the 1st MCO and Phase-1 NRP, the operations of our suppliers were temporarily suspended or their operating hours were limited to certain days and working hours. This had disrupted our procurement activities and logistics for product delivery which were also limited to certain timings. Consequently, this resulted in minor delays of 1 to 3 months in the delivery of ICT products to our physical stores, to customers who purchased our products online and to customers from our commercial channel. Save as disclosed above, we did not face major disruptions on the procurement of our supplies and as such, we did not experience any material adverse impact on our operations and financial performance for FYE 2021, FYE 2022 and up to LPD.

However, as part of our risk management strategy to ensure sufficient stock for sale, we have extended our sales forecast from 3 months to 6 months in our procurement planning.

Save as disclosed above, there were no material disruption to our supply chain arising from the COVID-19 pandemic and upon the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

Impact on our business cash flows, liquidity, financial position and financial performance

Our financial performance for FYE 2021 and 2022 was not impacted by the delay in delivering our products to customers as a result of the 1st MCO and Phase-1 NRP as the delayed orders were fulfilled within FYE 2021 and 2022 respectively. Further, there was no material impact on the collectability of our trade receivables arising from business interruptions as a result of the COVID-19 pandemic and upon the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

From 31 January 2020 and up until LPD, we ceased the operations of our brand-specialty stores in BB Park Bukit Bintang, Angsana Mall Ipoh, Melawati Mall Kuala Lumpur, Plaza Low Yat, AEON Mall Cheras Selatan and Mid Valley Southkey Johor due to poor sales performances. We have undertaken different approaches to boost the sales of the stores such as running promotional activities and campaigns as well as providing training to our staffs in these stores. However, we were still unable to improve the sales performances of these stores. Over the same period, we did not cease the operations of any of our consignment counters and multi-brand concept stores. There was no retrenchment of employees resulting from the closure of our brand-specialty stores as these employees were reassigned to other brand-specialty stores.

As at LPD, we have:

- (a) Cash and bank balances of approximately RM29.30 million; and
- (b) Banking facilities (excluding lease liabilities) up to a limit of RM94.11 million, of which RM68.97 million has been utilised. Details of our banking facilities are as follows:

Type of facilities	Facility limit	Amount utilised	Balance available
	RM'000	RM'000	RM'000
Bankers' acceptance and bank guarantee	60,199	35,057	25,142
Term loan	33,913	33,913	-
	94,112	68,970	25,142

7. BUSINESS OVERVIEW (Cont'd)

Our Board is confident that, after taking into account our cash and bank balances as well as the banking facilities currently available to our Group, we have sufficient funds for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus.

We did not face any claw back or reduction in the limit of banking facilities granted to us by our lenders. In addition, we do not anticipate any financial difficulties in meeting our debt obligations in the foreseeable future. We also do not expect any material impairment to our assets, inventories or receivables.

Based on the above, we do not expect any material impact to our cash flows, liquidity, financial position and financial performance.

Measures to commence and continue our business operations

In response to the COVID-19 pandemic, our Group has established an Emergency Response Protocol committee to oversee the adherence of infection control measures based on the guidelines and SOP issued by MITI. The infection control measures undertaken as at LPD include, amongst others:

- (a) Wearing of face masks in all our premises;
- (b) Sanitising all common areas of workplaces in our headquarters and regional offices at least once daily;
- (c) Sanitising all display counters and display items in physical stores at least 3 times daily;
- (d) Practising physical distancing at all our premises;
- (e) Self-quarantine of 7 days for confirmed COVID-19 cases among our employees; and
- (f) Requiring employees to undergo COVID-19 self-test for close contact with confirmed COVID-19 case, and only allowing employees to return to work if their test result is negative and that they do not have any COVID-19 symptoms.

As at LPD, there have been 102 confirmed cases of COVID-19 among our employees.

As at LPD, all our employees have completed 2 doses of their COVID-19 vaccination.

To comply with the SOPs imposed since 18 March 2020 and up to LPD, our Group has incurred testing and disinfection costs amounting to approximately RM0.11 million, which is not material to our Group. Our Group has not breached any laws relating to COVID-19 restrictions and/or SOPs issued by the relevant authorities.

7.9 SEASONALITY AND CYCLICAL EFFECTS

For sales secured through our physical stores channel and online stores channel, we do not experience seasonal increase in our sales.

For sales secured through our commercial channel, we are subject to seasonality in our business due to annual budget cycles of certain of our customers, hence, proportionately more invoices are billed/issued in the 4th quarter of the calendar year. Therefore, we generally have higher billings in the 3rd or 4th quarter of our financial year.

We do not experience any cyclicity in our business because the ICT products and services industry is not cyclical in nature.

7. BUSINESS OVERVIEW (Cont'd)

7.10 MAJOR CUSTOMERS

Our customers are broadly categorised into the following segments:

- (a) Sale of ICT products comprising hardware, devices and related peripherals (which may include the provision of ICT services and solutions); and
- (b) Provision of device repair and related services, as well as sale of broadband services.

7.10.1 Sale of ICT products comprising hardware, devices and related peripherals (which may include the provision of ICT services and solutions) segment

Our top 5 major customers for FYE 2019 to 2022 are as follows:

No.	Name	Distribution channel	Revenue		Products, services and/or solutions sold	Length of relationship as at FYE
			RM'000	%		
FYE 31 January 2019						
1.	Fan Technology International Limited ⁽⁴⁾	Commercial channel	81,169	13.9	ICT products such as components	1
2.	Malaysian House of Internet Sdn Bhd ⁽¹⁾	Commercial channel	26,919	4.6	ICT products such as laptops, components, software, printers, inks and toners and phones	4
3.	AEON ⁽²⁾	Physical store channel and commercial channel	25,108	4.3	ICT products such as phones, laptops, printers, inks and toners, accessories, tablets, storage and software	15
4.	Ecart Services Malaysia Sdn Bhd ⁽³⁾	Online store channel	19,427	3.3	ICT products such as laptops, phones, accessories, networking, cameras, security and CCTVs, digital signages and projectors	6
5.	Multicode IT Connection Sdn Bhd ⁽¹⁾	Commercial channel	13,937	2.4	ICT products such as networking, cameras, security and CCTVs, laptops, printers, inks and toners, components, digital signages and projectors, and accessories	4
Sub-total			166,560	28.5		
Segment total			582,212	100.0		

7. BUSINESS OVERVIEW (Cont'd)

No.	Name	Distribution channel	Revenue		Products, services and/or solutions sold	Length of relationship as at FYE
			RM'000	%		
FYE 31 January 2020						
1.	Fan Technology International Limited ⁽⁴⁾	Commercial channel	184,186	27.8	ICT products such as components	2
2.	AEON ⁽²⁾	Physical store channel and commercial channel	20,678	3.1	ICT products such as phones, laptops, accessories, printers, inks and toners, storage, tablets and software	16
3.	Malaysian House of Internet Sdn Bhd ⁽¹⁾	Commercial channel	16,066	2.4	ICT products such as laptops, phones, systems and components	5
4.	Ecart Services Malaysia Sdn Bhd ⁽³⁾	Online store channel	13,821	2.1	ICT products such as laptops, accessories, phones, systems, and printers, inks and toners	7
5.	World Peace International (South Asia) Pte Ltd	Commercial channel	13,595	2.1	ICT products such as components and storage	7
			Sub-total	248,346	37.5	
			Segment total	663,450	100.0	

The rest of this page is intentionally left blank

7. BUSINESS OVERVIEW (Cont'd)

No.	Name	Distribution channel	Revenue		Products, services and/or solutions sold	Length of relationship as at FYE
			RM'000	%		
FYE 31 January 2021						
1.	Fan Technology International Limited ⁽⁴⁾	Commercial channel	48,554	6.8	ICT products such as components	3
2.	Ecart Services Malaysia Sdn Bhd ⁽³⁾	Online store channel	29,151	4.1	ICT products such as laptops, phones, accessories, systems, and printers, inks and toners	8
3.	NF IT Sdn Bhd ⁽¹⁾	Commercial channel	19,332	2.7	ICT products such as laptops, systems, software, components and accessories	2
4.	AEON ⁽²⁾	Physical store channel and commercial channel	17,346	2.4	ICT products such as phones, laptops, printers, inks and toners, accessories and storage	17
5.	PETRONAS Refinery and Petrochemical Corporation Sdn Bhd	Commercial channel	14,997	2.1	ICT products such as laptops and accessories	1
			Sub-total	129,380	18.1	
			Segment total	710,316	100.0	

The rest of this page is intentionally left blank

7. BUSINESS OVERVIEW (Cont'd)

No.	Name	Distribution channel	Revenue		Products, services and/or solutions sold	Length of relationship as at FYE
			RM'000	%		
FYE 31 January 2022						
1.	Fan Technology International Limited ⁽⁴⁾	Commercial channel	124,196	11.3	ICT products such as components	4
2.	Ecart Services Malaysia Sdn Bhd ⁽³⁾	Online store channel	48,734	4.4	ICT products such as laptops, phones, accessories, systems, and printers, inks and tonners	9
3.	Shopee Mobile Malaysia Sdn Bhd	Online store channel	44,311	4.0	ICT products such as laptops, phones, accessories, storage, software, systems, and printers, inks and tonners	6
4.	Pembangunan Leasing Corporation Sdn Bhd	Commercial channel	30,321	2.8	ICT products such as laptops, software, systems, printers, inks and tonners, and digital signage, projectors	3
5.	Pejabat Setiausaha Kerajaan Negeri Johor	Commercial channel	22,560	2.1	ICT products such as laptops, and networking, camera, security and CCTV	1
			Sub-total	270,122		
			Segment total	1,099,266		

Notes:

- (1) Malaysian House of Internet Sdn Bhd, Multicode IT Connection Sdn Bhd and NF IT Sdn Bhd are our Group's appointed operators.
- (2) We sell our ICT products to retail customers through AEON consignment counters. AEON is the intermediary that we bill our invoices for the sales through AEON consignment counters. Consignment sales contributed 4.2%, 2.9% and 2.3% to our Group's segmental revenue for FYE 2019 to 2021 respectively, while the remaining 0.1%, 0.2% and 0.1% relates to outright sales to AEON for its own use.
- (3) We sell our ICT products to online retail customers through Lazada. Ecart Services Malaysia Sdn Bhd is the intermediary that we bill our invoices for the sales through Lazada.
- (4) Incorporated in Hong Kong and is principally involved in provision of ICT products, services and solutions. As the customer faced difficulty sourcing component products locally in FYE 2020, there was an increase in revenue contribution for the financial year. Subsequently in FYE 2021, the decrease in revenue contribution was mainly due to our Group focusing more on local sales which generally generates a higher GP margin as compared to overseas sales. In FYE 2022, the customer's revenue contribution increased due to higher purchase orders received from them.

Save for AEON, Ecart Services Malaysia Sdn Bhd and Shopee Mobile Malaysia Sdn Bhd who are our intermediaries, our top 5 major customers are mainly customers from our commercial channel who may purchase ICT products from our Group for onward sale to their customers or for their own use. Our sales to these customers are on an outright sales basis.

7. BUSINESS OVERVIEW (Cont'd)

For FYE 2019 to 2022, our largest customer was Fan Technology International Limited which contributed 13.9%, 27.8%, 6.8% and 11.3% to our Group's segmental sales. We are not dependent on them as our sales vary every year subject to demand from them. Further, we have a diversified customer base from our commercial channel comprising 1,755, 1,984, 2,448 and 2,655 customers during FYE 2019 to 2022 respectively. As such, there is no sales dependency on any of our customers from the commercial channel.

7.10.2 Provision of device repair and related services, as well as sale of broadband services segment

Our top 5 major customers for FYE 2019 to 2022 are as follows:

No.	Name	Distribution channel	Revenue		Services provided	Length of relationship as at FYE
			RM'000	%		
FYE 31 January 2019						
1.	TM ^(c)	Multiple channels	9,627	80.7	Commission received from resale of TM broadband services	16
2.	International Rescue Committee, Inc.	Commercial channel	265	2.2	Sale of Cloudxis broadband services	2
3.	Brightstar Distribution Sdn Bhd	Commercial channel	207	1.7	Provision of device repair and related services	1
4.	Sunningdale Tech Penang Sdn Bhd	Commercial channel	185	1.6	Sale of Cloudxis broadband services	1
5.	Evergreen Fiberboard (JB) Sdn Bhd	Commercial channel	82	0.7	Sale of Cloudxis broadband services	2
Sub-total			10,366	86.9		
Segment total			11,928	100.0		

7. BUSINESS OVERVIEW (Cont'd)

No.	Name	Distribution channel	Revenue		Services provided	Length of relationship as at FYE
			RM'000	%		
FYE 31 January 2020						
1.	TM ⁽²⁾	Multiple channels	5,224	44.2	Commission received from resale of TM broadband services	17
2.	Brightstar Distribution Sdn Bhd	Commercial channel	1,553	13.1	Provision of device repair and related services	2
3.	Boltech Device Protection Malaysia Sdn Bhd ⁽¹⁾	Commercial channel	455	3.8	Provision of device repair and related services	1
4.	International Rescue Committee, Inc.	Commercial channel	250	2.1	Sale of Cloudxis broadband services	3
5.	Red Sea Housing Services	Commercial channel	191	1.6	Sale of Cloudxis broadband services	3
		Sub-total	7,673	64.8		
		Segment total	11,832	100.0		
FYE 31 January 2021						
1.	TM ⁽²⁾	Multiple channels	4,248	38.1	Commission received from resale of TM broadband services	18
2.	Brightstar Distribution Sdn Bhd	Commercial channel	2,241	20.1	Provision of device repair and related services	3
3.	International Rescue Committee, Inc.	Commercial channel	218	2.0	Sale of Cloudxis broadband services	4
4.	Senheng Electric (KL) Sdn Bhd	Commercial channel	201	1.8	Provision of device repair and related services	3
5.	Assist Pro Tech Sdn Bhd	Commercial channel	180	1.6	Provision of device repair and related services	3
		Sub-total	7,088	63.6		
		Segment total	11,153	100.0		

7. BUSINESS OVERVIEW (Cont'd)

No.	Name	Distribution channel	Revenue		Length of relationship as at FYE
			RM'000	%	
FYE 31 January 2022					
1.	TM ⁽²⁾	Multiple channels	5,744	45.1	19
2.	Brightstar Distribution Sdn Bhd	Commercial channel	2,262	17.8	4
3.	Asurion Technology Malaysia Sdn Bhd	Commercial channel	1,119	8.8	1
4.	International Rescue Committee, Inc.	Commercial channel	198	1.6	5
5.	Protech Future System Sdn Bhd	Commercial channel	170	1.3	1
			Sub-total	74.5	
			Segment total	100.0	

Notes:

(1) Previously known as Amtrust Mobile Solutions Malaysia Sdn Bhd. The company changed its name to Bolttech Device Protection Malaysia Sdn Bhd effective 15 July 2020.

(2) Revenue from the resale of TM broadband services has decreased in FYE 2020 mainly due to an upwards revision in commissions paid to our agents to align with the market. The subsequent decrease in revenue in FYE 2021 was mainly due to increase competition from other TM authorised resellers since the downward revision in prices for broadband services offered by TM to align with government policy coupled with higher commissions paid to our agents. In FYE 2022, the increase in revenue from the resale of TM broadband services was mainly due to increase in volume of sales of broadband services arising from the higher commissions paid to agents to align with the market and incentive scheme which led to their improved sales performance.

We are not dependent on our major customers from the provision of device repair and related services, as well as sale of broadband services segment.

7. BUSINESS OVERVIEW (Cont'd)**7.11 TYPES, SOURCES AND AVAILABILITY OF INPUT**

The main components of our purchases are laptops, phones, components, systems, accessories, software, digital signages and projectors, networking, cameras, security and CCTVs, printers, inks and toners, storage, tablets and others.

The table below sets out our purchases for FYE 2019 to 2022:

Purchases	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Laptops	245,076	42.3	239,308	36.5	325,442	48.2	514,913	47.2
Phones	80,965	14.0	61,879	9.4	86,652	12.8	112,007	10.3
Components ⁽¹⁾	108,841	18.8	214,262	32.7	83,975	12.4	172,578	15.8
Systems ⁽²⁾	41,131	7.1	33,989	5.2	49,977	7.4	91,757	8.4
Accessories ⁽³⁾	18,915	3.3	27,398	4.2	44,913	6.7	56,849	5.2
Software	15,908	2.8	17,348	2.6	27,007	4.0	26,065	2.4
Digital signages, monitors and projectors ⁽⁴⁾	34,891	6.0	26,408	4.0	18,228	2.7	47,492	4.4
Networking, cameras, security and CCTVs ⁽⁵⁾	3,140	0.5	5,008	0.8	13,299	2.0	8,358	0.8
Printers, inks and toners ⁽⁶⁾	16,924	2.9	17,186	2.6	11,874	1.8	17,951	1.6
Storage ⁽⁷⁾	3,824	0.7	5,081	0.8	6,104	0.9	8,150	0.7
Tablets	3,614	0.6	5,648	0.9	4,034	0.6	29,704	2.7
Others ⁽⁸⁾	5,547	1.0	2,406	0.4	3,851	0.6	5,847	0.5
	578,776	100.0	655,921	100.0	675,356	100.0	1,091,671	100.0

Notes:

- (1) Comprises graphic cards, casing, disc drives, motherboards, processors, parts, power supply units and RAM systems.
- (2) Comprises desktops, workstations and servers.
- (3) Comprises adapters, bags/ back packs, batteries, cables, gaming chairs, fans, headsets, hubs, keyboards, mouse, power banks, scanners, speakers, uninterrupted power supplies, USB cables and other related accessories.
- (4) Comprises digital signages, monitors, screens and projectors.
- (5) Comprises modems, racks, routers, switches, cameras and other related networking equipment.
- (6) Comprises printers, drums, inks, ribbons and toners.
- (7) Comprises memory cards, hard discs, hard drives, SSD and USB drives.
- (8) Comprises warranty extension, devices protection plan, broadband services, household electrical products, other related peripherals and other related services.

Our supplies are sourced from local and overseas suppliers, whereby our local suppliers may also purchase their supplies from overseas manufacturers/suppliers due to the nature of the industry whereby ICT product manufacturers are mainly foreign-based manufacturers. As such, the weakening of the RM against the USD had contributed to the increase in purchase price of our supplies. Nevertheless, we are generally able to pass on the increase in cost to our customers. Further details on our Group's exposure to foreign exchange fluctuation risk is as set out in Section 9.1.16.

7. BUSINESS OVERVIEW (Cont'd)

According to the IMR Report, following the outbreak of the COVID-19 pandemic, semiconductor manufacturers have been facing surges in the demand for semiconductors. With the same manufacturing capacities, semiconductor manufacturers have not been able to cope with the surging demand, causing a shortage in the supply of semiconductors. Consequently, our Group was also affected whereby we faced temporary disruptions in supplies during the pandemic. However, we did not experience any material adverse impact on our operations and financial performance for FYE 2021, FYE 2022 and up to LPD. Further details on the impact of the COVID-19 pandemic on our supplies are as set out in Section 7.8.

Further, the shortage in the global supply of semiconductors has exacerbated in 2022, caused by the Russia-Ukraine conflict (i.e. began in February 2022) that disrupted the supply of neon gas used in semiconductor manufacturing; as well as the lockdowns in China (i.e. began in March 2022) which caused global supply chain disruptions. As at LPD, our Group did not experience any material disruptions to the receipt of supplies, resulting from the Russia-Ukraine conflict and lockdowns in China. Further, our Group does not purchase supplies from Russia or Ukraine and as such, our Group does not foresee adverse impact to our financial performance for FYE 2023.

Save for the temporary disruption in supplies as mentioned above, we did not face any major disruptions or shortages of supplies during FYE 2019 to 2022 which has materially affected our financial performance as our supplies can be easily sourced from other suppliers.

The rest of this page is intentionally left blank

7. BUSINESS OVERVIEW (Cont'd)

7.12 MAJOR SUPPLIERS

Our Group's top 5 major suppliers for FYE 2019 to 2022 are as follows:

No.	Name	Purchase value		Main products sourced	Main brands	Length of relationship as at FYE
		RM'000	%			
FYE 31 January 2019						
1.	VSTECs Astar Sdn Bhd ⁽¹⁾	96,217	16.6	ICT products such as laptops, phones, tablets, components, systems, accessories, software, digital signages, monitors and projectors, networking, cameras, security and CCTVs, printers, inks and toners as well as storage	Asus, HP, Apple, Lenovo, Microsoft	15
2.	World Peace International (South Asia) Pte Ltd	88,479	15.3	ICT products such as components	Intel	6
3.	Ingram Micro Malaysia Sdn Bhd	70,769	12.2	ICT products such as laptops, phones, components, systems, accessories, software, digital signages, monitors and projectors, networking, cameras, security and CCTVs, printers, inks and toners as well as storage	HP, Microsoft, Intel, MSI, Lenovo	15
4.	Tec D Distribution (Malaysia) Sdn Bhd ⁽²⁾	52,708	9.1	ICT products such as laptops, tablets, components, systems, accessories, software, digital signages, monitors and projectors, networking, cameras, security and CCTVs, printers, inks and toners as well as storage	Dell, Lenovo, HP, Microsoft, Logitech	11
5.	Acer Sales & Services Sdn Bhd	39,645	6.9	ICT products such as laptops, tablets, components, systems, accessories, software, digital signages, monitors and projectors as well as storage	Acer	19
Sub-total		347,818	60.1			
Total		578,776	100.0			

7. BUSINESS OVERVIEW (Cont'd)

No.	Name	Purchase value		Main products sourced	Main brands	Length of relationship as at FYE
		RM'000	%			
FYE 31 January 2020						
1.	World Peace International (South Asia) Pte Ltd	181,235	27.6	ICT products such as components	Intel	7
2.	VSTECs Astar Sdn Bhd ⁽¹⁾	89,327	13.6	ICT products such as laptops, phones, tablets, components, systems, accessories, software, digital signages, monitors and projectors, networking, cameras, security and CCTVs, printers, inks and toners as well as storage	Asus, HP, Apple, Microsoft, Lenovo	16
3.	Ingram Micro Malaysia Sdn Bhd	57,532	8.8	ICT products such as laptops, phones, components, systems, accessories, software, digital signages, monitors and projectors, networking, cameras, security and CCTVs, printers, inks and toners as well as storage	HP, Microsoft, Intel, MSI, Adobe	16
4.	Dancom TT&L Telecommunications (M) Sdn Bhd	54,842	8.4	ICT products such as laptops, phones, systems, accessories and digital signages, monitors and projectors.	Apple, BenQ, Beats	14
5.	Tec D Distribution (Malaysia) Sdn Bhd ⁽²⁾	53,368	8.1	ICT products such as laptops, tablets, components, systems, accessories, software, digital signages, monitors and projectors, networking, cameras, security and CCTVs, printers, inks and toners as well as storage	Dell, HP, Lenovo, Microsoft, Logitech	12
Sub-total		436,304	66.5			
Total		655,921	100.0			
FYE 31 January 2021						
1.	VSTECs Astar Sdn Bhd ⁽¹⁾	127,641	18.9	ICT products such as laptops, phones, tablets, components, systems, accessories, software, digital signages, monitors and projectors, networking, cameras, security and CCTVs, printers, inks and toners as well as storage	Asus, Microsoft, HP, Apple, Lenovo	17
2.	Dancom TT&L Telecommunications (M) Sdn Bhd	107,630	15.9	ICT products such as laptops, phones, systems and accessories	Apple, Beats	15

7. BUSINESS OVERVIEW (Cont'd)

No.	Name	Purchase value		Main products sourced	Main brands	Length of relationship as at FYE
		RM'000	%			
3.	Tec D Distribution (Malaysia) Sdn Bhd ⁽²⁾	63,920	9.5	ICT products such as laptops, tablets, components, systems, accessories, software, digital signages, monitors and projectors, networking, cameras, security and CCTVs as well as printers, inks and toners	HP, Dell, Lenovo, VMWARE, Microsoft	13
4.	Ingram Micro Malaysia Sdn Bhd	59,202	8.8	ICT products such as laptops, components, systems, accessories, software, digital signages, monitors and projectors, networking, cameras, security and CCTVs, printers, inks and toners as well as storage	HP, MSI, Microsoft, Intel, Adobe	17
5.	World Peace International (South Asia) Pte Ltd	48,177	7.1	ICT products such as components	Intel	8
	Sub-total	406,570	60.2			
	Total	675,356	100.0			

FYE 31 January 2022

1.	VSTECs Astar Sdn Bhd ⁽¹⁾	202,986	18.6	ICT products such as laptops, phones, tablets, components, systems, accessories, software, digital signages, monitors and projectors, networking, cameras, printer, inks and toners as well as storage	Apple, Lenovo, HP, Asus, Microsoft	18
2.	Dancom TT&L Telecommunications (M) Sdn Bhd	127,229	11.7	ICT products such as laptops, phones, systems, accessories and digital signages, monitors and projectors	Apple	16
3.	World Peace International (South Asia) Pte Ltd	124,159	11.4	ICT products such as components	Intel, Microsoft, Asrock	9

7. BUSINESS OVERVIEW (Cont'd)

No.	Name	Purchase value		Main products sourced	Main brands	Length of relationship as at FYE
		RM'000	%			
4.	Tec D Distribution (Malaysia) Sdn Bhd ⁽²⁾	98,975	9.1	ICT products such as laptops, tablets, components, systems, accessories, software, digital signages, monitors and projectors, networking, cameras, printers, inks and toners as well as storage	Lenovo, HP, Dell, Huawei, Microsoft	14
5.	Ingram Micro Malaysia Sdn Bhd	98,769	9.0	ICT products such as laptops, phones, components, systems, accessories, software, digital signages, monitors and projectors, networking, printers, ink and toners as well as storage	Microsoft, MSI, HP, Acer, Adobe	18
Sub-total		652,118	59.7			
Total		1,091,671	100.0			

Notes:

- (1) Previously known as ECS Astar Sdn Bhd. The company changed its name to VSTECS Astar Sdn Bhd effective 3 December 2018.
- (2) Previously known as Jardine OneSolution (2001) Sdn Bhd. The company changed its name to Innovix Distribution Sdn Bhd effective 15 July 2016, and subsequently to Tec D Distribution (Malaysia) Sdn Bhd effective 1 February 2021.

Our supplies are sourced from local and overseas suppliers, which we select based on their pricing, production/supply capacities, product range and ability to deliver in a timely manner. Although we do not have any long-term agreement with our major suppliers, we did not face any material supply disruptions or delays from our major suppliers during FYE 2019 to 2022, save for the temporary disruptions resulting from the COVID-19 pandemic.

We are not dependent on any single major supplier as in the event that we are unable to source for our supplies from the above major suppliers, we are able to source the products from other suppliers locally and overseas. Nevertheless, our Group has established a long-standing relationship with our major suppliers and we believe that the relationships forged will allow our Group to receive our supplies in a timely manner.

7. BUSINESS OVERVIEW (Cont'd)

7.13 QUALITY CONTROL MANAGEMENT

The quality of the services that we provide to our clients is important to us and we adhere to stringent quality standard. We carry out quality assurance and quality control procedures on all our house brand of ICT products, JOI®. The process of quality assurance and quality control procedures undertaken by our Group are as follows:

(a) Functional inspection test

Conducting test to assess the main function, structural function and/or display function of each batch of products, based on the test procedures and standards, to ascertain whether the batch of products meets the normal use standard and achieves the required functions.

(b) Cosmetic inspection test

Conducting cosmetic, structural and assembly inspection of products comprising visual inspection on the finished product to check for signs of damage; as well as to ensure that the structure and assembly of the product is in accordance with product design, and does not affect the functionality and quality of the product.

(c) Odour inspection test

Inspection test to ensure that the product and its packaging does not emit any pungent odour.

For JOI® desktops that are assembled in-house, desktops that pass the inspection tests will be packed and stored in our storage area, whereas desktops that do not pass the inspection test will be reworked.

For JOI® products that are manufactured by third party OEMs, we will proceed to accept the batch of products if the number of defective units, assessed based on our inspection test standards, is less than or equal to the acceptance rate of 10%, and on the condition that the defective units are fully repaired or replaced. If the number of defective units is larger than or equal to the acceptance rate of 10%, we will reject the batch of products.

Our certification also provides assurance to our customers that our quality management system complies with the stipulated standards. As a testament to the quality and safety standards of our products, our JOI® products are certified with SIRIM certification for tests conducted in Malaysia, and with Certificate of Conformity for tests conducted in China for all JOI® products that are manufactured in China, prior to being launched into the market. As at LPD, we have obtained 19 certificates of conformity in relation to JOI® products which we design, install and modify.

7.14 RESEARCH AND DEVELOPMENT

Our R&D team is currently led by our Development Director, Eng Su Fern, and comprises 4 dedicated personnel. To remain competitive in the market, we are involved in R&D activities for new products, services and solutions development, and/or continuous upgrade of existing products, services and solutions as follows:

7. BUSINESS OVERVIEW (Cont'd)

(a) JOI® smart classroom framework

We had in May 2016 introduced our JOI® smart classroom framework, a solution that integrates and combines a broad range of features to support effective teaching and learning, connectivity, interactivity and collaborative works in educational institutions. The JOI® smart classroom framework includes a flexible combination of JOI® ICT products and other third party ICT products such as laptops, desktops, monitors, tablets, interactive smartboards, content media server (i.e. JOI® Connect), mobile charging stations, devices for student terminal, visual data devices and smart cameras.

As at LPD, we are engaged in continuous enhancement activities for our JOI® smart classroom framework such as incorporating a behavioural study module that uses data analytics to study students' behaviour to improve teaching and learning experience through adaptive learning approach as well as to implement hybrid learning which refers to multiple mode of learning being carried out simultaneously (e.g. physical classroom learning and virtual learning).

(b) JOI® Smart Sense solution

In line with the digital transformation and advances in the technology of computer vision and artificial intelligence, we undertook R&D activities for the development of our JOI® Smart Sense solution. JOI® Smart Sense is a multifunctional kiosk integrated with facial recognition and body temperature scanning functions; and artificial intelligence functions that collects customers' information (e.g. traffics, behaviours and interactions) based on facial recognition and displays advertisement contents to target customer for effective marketing.

We had in 3rd quarter of 2021 conducted a test trial for our JOI® Smart Sense solution. Our JOI® Smart Sense solution was launched in June 2022. Subsequent to the launch, we continue to engage in continuous enhancement activities for our JOI® Smart Sense solution.

(c) JOI® ICT products

Our Group also engages in continuous product upgrades for our JOI® ICT products to ensure that our products are up-to-date with the continuous technological improvement in the ICT products and services industry, and the constant change in consumer demand and preferences for ICT products. We conduct quarterly review of our JOI® ICT products to upgrade and/or launch new products into the market.

Intel and Microsoft also provide support for our R&D activities whereby we receive engineering support (e.g. product training, sample units, technical support), partners matchmaking (e.g. invitation to networking events such as regional or international conference to build business relationships with industry stakeholders) and/or co-funding for our marketing activities (e.g. provision of subsidies for product launching events). Expenses incurred for our R&D activities as a percentage of our Group revenue were 0.1% for each of FYE 2019 to 2022.

7. BUSINESS OVERVIEW (Cont'd)

7.15 COMPETITIVE STRENGTHS**7.15.1 We offer an extensive range of ICT products and services**

Our track record in the ICT products and services industry is evidenced by the wide range of ICT products and services offered by our Group. As at LPD, we carry a total of 33,633 SKUs of third party ICT products, comprising laptops, phones, components, systems, accessories, software, digital signages and projectors, networking, cameras, security and CCTVs, printers, inks and toners, storage, tablets and other related peripherals. Further details of our third party branded ICT products are as set out in Section 7.3.3(a).

In addition, we also offer our house brand of ICT products, JOI[®], which are catered towards the affordable ICT product segment to address a gap in the ICT market, as our JOI[®] products are generally priced lower when compared with products of similar specifications from third party brands. As at LPD, our JOI[®] products comprise laptops, tablets, desktops, smartboards, keyboards, active pens, content media servers and mobile charging stations with a total of 363 SKUs carried. Our ability to offer an extensive range of ICT products provides our customers with a wide product selection range based on their needs and budget. Further details of our ICT products are as set out in Section 7.3.3(b).

Further, we are involved in the provision of complementary ICT services and solutions, value-added ICT services and solutions, JOI[®] smart classroom framework, DaaS subscription-based service and managed ICT services. Our extensive experience in the industry has enabled us to provide advice and recommend suitable solutions to our customers based on their budgets and requirements.

We are also involved in the provision of device repair and related services, as well as the sale of broadband services to our customers. To complement our wide range of ICT products and services, our Group also offers customers after-sales services which include product repair services as well as warranty claims for selected ICT products. Our Group believes that being able to provide customers avenue to reach out for after-sales services is crucial in building and enhancing our Group's reputation in the market. This may eventually aid our Group in creating opportunities for repeated purchases from existing customers as well as purchases from new customers resulting from credible market reputation.

7.15.2 We have an established history and proven track record, with over 24 years of experience in the ICT industry

We have an established history in the ICT products and services industry that spans over 24 years. Our extensive experience and industry insights gained throughout the years has led to the successful growth of our business, which has also played an important role in our business development activities and in identifying market demand to continuously expand our range of ICT products, services and solutions. The years of experience that we have accumulated is crucial for our Group to remain competitive in the market due to the rapid advancement of technologies as well as to support the continuous development and improvement of our JOI[®] ICT products.

7. BUSINESS OVERVIEW (Cont'd)

Further, our track record in the retail of ICT products is attested by our retail experience when we secured our first concessionaire agreement with AEON in 2004 to sell our ICT products through AEON's consignment counters. With this, we have embarked on our retail journey which subsequently saw the growth of our presence in AEON's departmental stores over the years. Leveraging on our experience in retailing through AEON's consignment counters, we expanded our physical store channel when we began retailing through our brand-specialty stores and multi-brand concept stores. As at LPD, we have a total of 56 brand-specialty stores (with additional 5 brand-specialty stores which are expected to commence operations by September 2022), 7 multi-brand concept stores and 14 consignment counters. We also expanded towards retailing through the online store channel when we set up our iTworld online store, GLOO online store and Notebook Plaza online store as well as online stores on third party marketplaces. Further details of our physical store channel, online store channel and commercial channel are as set out in Section 7.3.4.

7.15.3 We have wide market coverage and an extensive network of distribution channels nationwide

We have a wide market coverage as our ICT products and services offerings are sold to customers through our physical store channel and online store channel, and customers from our commercial channel (e.g. businesses, government agencies, educational institutions). Our operations are mainly supported by our headquarters in Ipoh, Perak and our regional offices in Selangor, Penang and Johor.

As at LPD, our products are sold through our physical store channel comprising 56 brand-specialty stores (with additional 5 brand-specialty stores which are expected to commence operations by September 2022), 7 multi-brand concept stores and 14 consignment counters spread across Kuala Lumpur, Selangor, Putrajaya, Negeri Sembilan, Perak, Penang and Kelantan. Our online presence is established through our proprietary online store channel under iTworld, GLOO and Notebook Plaza, as well as through third party marketplaces such as Lazada, Shopee, PG Mall, Zalora, MyDunia, MyBeli and PIKOM Tech Marketplace. Further details of our distribution channels are as set out in Section 7.3.4. This extensive network of distribution channels enables our Group to extend our market outreach nationwide and to continuously grow our customer base.

Leveraging on our extensive network of distribution channels, we have integrated our online stores with our network of physical stores to offer omni channel retail, which further enhances our customers purchasing experience. We provide a unified and consistent shopping experience via our online and offline channels whereby products, prices and promotions that we offer are standardised across our physical stores and in-house operated online stores. Further, through our various websites, customers can compare products, see latest promotions, contact customer service, make purchases, access purchase history and/or request for after-sales services.

As part of our omni channel retail, customers are also given the option to inspect and collect their ordered products at our physical stores whereby it provides the confidence to customers to ensure that their purchases are in good condition before accepting delivery. By creating an enhanced purchasing experience, our Group believes that we are well positioned to capture opportunities arising from increasing demand for ICT products from new and existing customers.

7. BUSINESS OVERVIEW (Cont'd)

7.15.4 We have developed and established long-term business relationships with our brand principals, appointed distributors, suppliers and OEMs

Our reputation and well-established track-record has enabled our Group to carry a wide range of ICT products for sale. Over the years, we continued to develop and establish long-term business relationship with our brand principals, appointed distributors, suppliers and OEMs which have allowed us to offer an extensive range of ICT products, services and solutions to cater to the needs of our customers. The relationships with our brand principals, appointed distributors, suppliers and OEMs have been the fundamental to our success, and will continue to be pivotal in supporting the future growth of our Group.

Among the notable brands of ICT products that our Group carries and the number of years that we have been selling the brands of ICT products are as set out below:

ICT brands	Number of years	ICT brands	Number of years
Intel	: 23	Adobe	: 23
Microsoft	: 21	Canon	: 22
Samsung	: 21	Dell	: 21
TM	: 16	IBM	: 23
HP	: 21	Lenovo	: 15
Epson	: 21	AMD	: 21
Acer	: 13	MSI	: 20
Asus	: 21	Sony VAIO	: 20
Apple	: 12	Toshiba	: 21

We continue to maintain good relationships with our brand principals and appointed distributors as we recognise the importance of such relationships in driving our business expansion. We work closely with brand principals and appointed distributors to market their brands of ICT products with a mutual aim of improving sales. We provide advertising and promotional activities for brand principals to increase brand and product visibility to our customers, for which brand principals may at times provide marketing subsidies (e.g. marketing funds, buntings, banners and digital assets) to our Group. As part of our advertising and promotional activities, we allocate designated areas to display their products and train our sales personnel to promote their products during promotional periods. As such, we are able to assist in optimising product sales, which further contribute to our relationship with our brand principals and appointed distributors.

We have also established long-term relationships with the suppliers and OEMs of our JOI[®] ICT products ranging from 2 to 8 years. We continue to maintain good relationships with them as we recognise the importance of such relationships to ensure the continuous and timely supply of our JOI[®] ICT products and components.

Our ability to build and maintain long-term relationships with brand principals, appointed distributors, suppliers and OEMs have allowed us to have access to our supplies in a timely manner, as well as enabling us to carry sufficient product inventory, which in turn enable us to meet our customers' demand for ICT products, services and solutions. This has also enabled us to retain our reputation in the ICT products and services industry as a reputable supplier to our customers.

7. BUSINESS OVERVIEW (Cont'd)

7.15.5 We offer our house brand ICT products, JOI® to address a pricing gap in the ICT market through the offering of affordable ICT products

JOI® is our house brand of ICT products and was launched in 2014 through the introduction of our JOI® 8 tablet. Our JOI® ICT products were conceived by our Managing Director, Ko Yun Hung and Executive Director, Pah Wai Onn with the objective of addressing market needs for affordable ICT products while ensuring good product quality and specifications. With their extensive experience and industry insights gained over the years, Ko Yun Hung and Pah Wai Onn led the design and development of JOI® ICT products. Gradually, our Group began introducing more JOI® ICT products into the market such as JOI® laptops, tablets, desktops, interactive smartboards, content media servers, mobile charging stations and related peripherals, with a total 363 SKUs as at LPD.

Our Group's established market reputation as well as long-term business relationships with Intel and Microsoft have provided the foundation for the development of our JOI® ICT products. We use Intel's processors as the main component for all our JOI® ICT products; and Microsoft's software as the main supporting software.

In 2016, we introduced our JOI® smart classroom framework. Since then and up to LPD, we have successfully secured 59 projects with educational institutions (such as government or private schools, universities, colleges, international schools and kindergartens), inclusive of 11 projects secured through dealers, for the implementation of our JOI® smart classroom framework for educational institutions nationwide.

Due to the on-going COVID-19 pandemic, there has been an increasing demand for ICT products within the education sector which has seen a move towards digitalising classroom teaching. This is expected to lead to the increasing demand for affordable ICT products to support the move towards digitalisation. Through our offering of JOI® ICT products, our Group believes that we are well positioned to capture opportunities arising from the demand for affordable ICT products in the education sector which may contribute positively to our Group's financial performance.

7.15.6 We have an experienced key management team

Our key management team have accumulated years of experience in their respective field and key expertise, industry experience and in-depth knowledge of our business operations. Through their leadership, we have established our industry reputation as evidenced by our capability to source, sell and manufacture products that are of quality and safe for our customers, which is attested by the conformity of our ICT products to SIRIM certification and/or Certificate of Conformity. Further details on our quality control management are as set out in Section 7.13. The industry reputation that we have established over the years has also been instrumental to our Group in securing new customers and maintaining business relationships with existing customers.

Our Managing Director, Ko Yun Hung, and our Executive Directors, Pah Wai Onn and Siow Wei Ming, with their vast working experience and in-depth industry knowledge, are instrumental in determining the overall strategic direction and business development of our Group. Ko Yun Hung and Pah Wai Onn have over 23 years of working experience in the ICT products and services industry respectively, while Siow Wei Ming has over 28 years of working experience in the ICT industry. They are supported by the following key senior management:

7. BUSINESS OVERVIEW (Cont'd)

Name	Designation	Years of relevant working experience
Eng Su Fern	Development Director	18
Tham Sau Har	Administrative and Operations Director	22
Thong Soon Cheong	Group Financial Controller	31

Our management team has strong industry and functional expertise as a result of years of experience in their respective roles. Further, they take an active, hands-on role in spearheading their respective departments to support the growth of our Group. As a result, there is a transfer of skills and knowledge to employees at all levels in our organisation structure. Their hands-on involvement in our Group demonstrates their strong commitment to our growth as we continue to expand.

7.16 BUSINESS STRATEGIES AND PROSPECTS

Our business objectives are to maintain sustainable growth in our business and create long-term shareholder value. To achieve our business objectives, we will implement the following business strategies over a period of 36 months from the date of our Listing.

7.16.1 We are setting up our Regional Hub to support the expansion of our business throughout Malaysia

Our Group's headquarters is located in Ipoh, and our regional offices are located in Petaling Jaya (Selangor), Bayan Lepas (Penang) and Johor Bahru (Johor). As at LPD, our operations throughout Malaysia are mainly supported by these locations. We are setting up a Regional Hub to facilitate the expansion of our regional sales and support functions in Klang Valley and nationwide, including the administrative and operational tasks pertaining to the expanded sales and support functions.

We had on 30 November 2018 purchased a piece of land measuring 35,929.93 sq ft in Petaling Jaya, Selangor to construct our Regional Hub, which comprise a 18-storey office building with total built-up area of approximately 261,155 sq ft. Upon completion, we will relocate our current offices in 3 Two Square, Petaling Jaya to the Regional Hub. We will retain our headquarters operations at our Group's headquarters in Ipoh, and our support operations at our regional offices in Bayan Lepas, Penang and Johor Bahru, Johor respectively.

The Regional Hub is pivotal to our future business growth in the commercial channel and expansion of our physical stores nationwide. The Regional Hub aims to accelerate innovation by offering smart solutions to our customers, facilitate greater collaboration with brand principals and technology partners, and at the same time, achieve operational efficiencies and provide a conducive working environment for talent development and growth.

Presently, our regional office in Petaling Jaya is not equipped with a sales gallery or retail area to showcase new ICT solutions on IoT and for the sales of ICT products and services respectively. For our Regional Hub, it will include 1 floor of sales gallery that will house our experience centres for us to showcase new and innovative ICT solutions on IoT such as smart homes, smart retail, smart education, smart signages and smart shelving where we will install demonstration sets to create an immersive experience for customers.

- (i) Smart home comprises the use of IoT devices that are connected to mobile applications, allowing users to remotely control home security access, air-conditioning temperature, lighting, and home theatre systems, amongst others;

7. BUSINESS OVERVIEW (Cont'd)

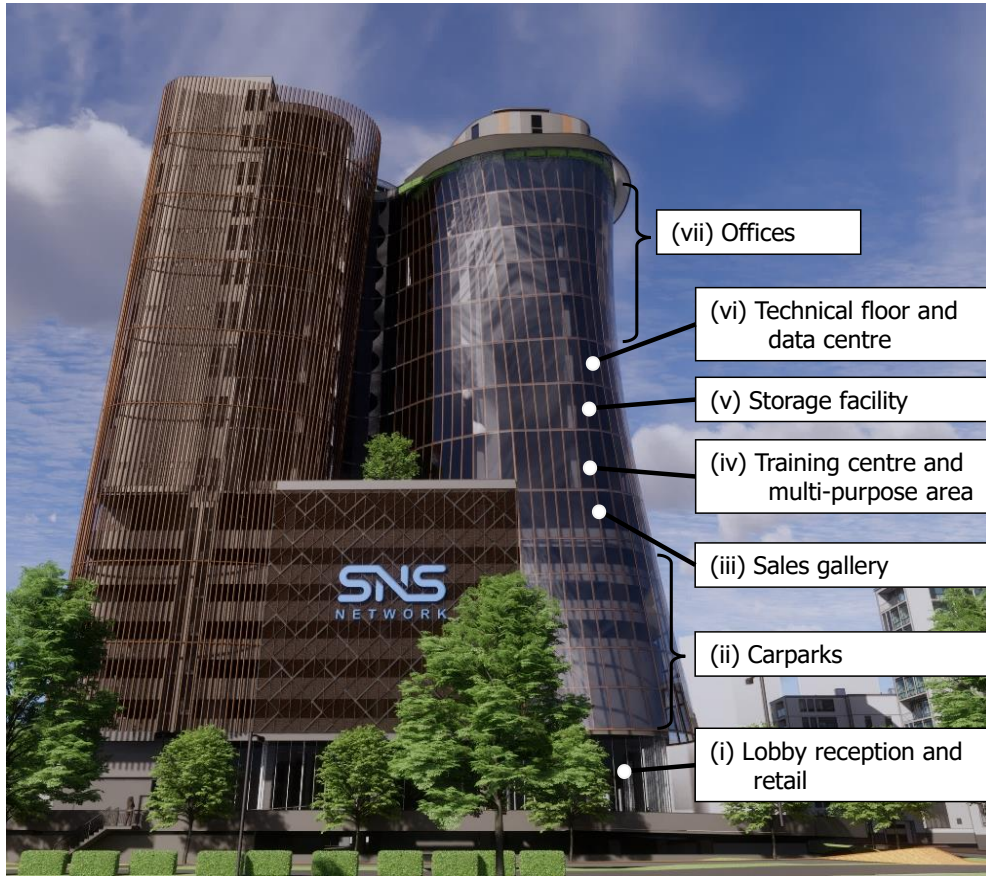
- (ii) Smart retail comprises the collective use of facial recognition technology, data analytics and artificial intelligence functions to analyse collected data such as to analyse visitor traffic flow and using in-store heatmap features to detect hotspot areas, in which the analysed data can be used for the interactive digital signages to lead to enhanced retail shopping experience;
- (iii) Smart education is similar to our JOI® smart classroom framework whereby it integrates and combines a broad range of features to support effective teaching and learning, as well as enhance interaction and collaboration in educational institutions;
- (iv) Smart signages is similar to our JOI® Smart Sense solution whereby it includes the use of, amongst others, facial recognition and body temperature scanning functions, and artificial intelligence functions that collects customers' information (e.g. customer traffic, behaviour and interactions) based on facial recognition and displays advertisement contents to target customers for effective marketing; and
- (v) Smart shelving is used in retail stores to improve retail merchandising effort. For example, installing Electronic Shelf Label to automate and centralise pricing control which reduces manual labour, human errors or fraud and operating cost as compared to the use of conventional paper price sticker. The smart shelving can also be integrated with IoT and motion sensors to detect product movement on the shelves and trigger targeted advertisement on the advertisement screens attached to the shelves.

For example, we intend to showcase a smart classroom experience centre, comprising the display of various devices such as laptops, tablets, interactive smartboards, mobile charging station and smart cameras which are connected to one another, in which these devices can be controlled through a mobile application. We also intend to collaborate with brand principals and technology partners (e.g. companies providing augmented reality solutions, virtual reality solutions and mixed reality solutions), on a project basis, to showcase the latest ICT products and solutions and to provide live demonstrations to our customers. Further, our Regional Hub will also include a retail area to sell our ICT products and services. Our Group believes that this will aid in our sales and marketing activities as it allows customers to relate better to the functions of IoT, thus promoting the demand for our products and solutions.

The rest of this page is intentionally left blank

7. BUSINESS OVERVIEW (Cont'd)

Further details of our Regional Hub and the intended space utilisation are as follows:



- (i) 1 floor of approximately 13,500 sq ft, allocated for lobby reception and retail area to display and sell our ICT products and services;



- (ii) 7 floors of carpark, including 1 floor of basement carpark;
- (iii) 1 floor of approximately 15,500 sq ft, allocated for sales gallery to house our experience centre to showcase new ICT solutions on IoT;

Smart home



Smart retail



Smart education



7. BUSINESS OVERVIEW (Cont'd)

- (iv) 1 floor of approximately 15,000 sq ft, allocated for training centre and multi-purpose area to conduct trainings, workshop, virtual product launch, live studio and event hosting, amongst others, which will be available for our own use and rental to external parties;



- (v) 2 floors of approximately 29,500 sq ft, allocated for storage facility to store our inventory;
- (vi) 1 floor of approximately 14,500 sq ft, allocated for technical floor and data centre to provide various ICT services, technical support and maintenance services, product testing and R&D activities; and



- (vii) 5 floors of approximately 61,000 sq ft, allocated as office space for our administrative and operational functions, including 2 floors of office space to be reserved for our future expansion, but which may be rented to external parties in the meantime.

The construction cost of our Regional Hub is estimated at RM75.18 million. Upon Listing, we plan to utilise RM18.00 million, representing 19.8% of our IPO proceeds to partially finance the construction cost of our Regional Hub, with the remaining RM57.18 million to be financed via bank borrowings and/or internally generated funds. Further details of the utilisation of our IPO proceeds, cost of construction and indicative project timeline of our Regional Hub are as set out in Section 4.9.1(b). While our Regional Hub will support our business expansion in the Klang Valley and nationwide going forward, our main administrative functions will remain at our current headquarters in Ipoh.

7.16.2 We intend to expand our DaaS subscription-based service

The DaaS subscription-based service is a service offered by our Group that provides customers with the flexibility to adjust their usage according to their latest business and operational needs. This subscription-based service also helps our customers to avoid large capital expenditure required for the bulk purchase of ICT products as it allows our customers to acquire ICT products on a monthly subscription basis. Further, as our DaaS subscription-based service also includes the support and maintenance of ICT products, it allows our customers' IT teams to focus on core IT functions to support their business operations; or to support companies or entities (e.g. educational institutions and associations) that do not maintain in-house IT teams.

7. BUSINESS OVERVIEW (Cont'd)

Since 6 January 2020 (i.e. the date when our DaaS subscription first commenced) and up to LPD, we have entered into 82 DaaS subscriptions (of which 75 DaaS subscriptions are still active and 7 DaaS subscriptions have been completed as at LPD) with a total subscription value of RM255.86 million. Amongst the 75 DaaS subscriptions that are still active, 7 subscriptions amounting to RM77.15 million have yet to commence as at LPD. As at LPD, the remaining DaaS subscriptions value amounts to RM78.84 million. In view of the potential growth from this segment, we intend to expand our DaaS subscription-based service offerings to more customers. This expansion will require our Group to incur capital expenditure to purchase ICT products to service new subscriptions secured. Despite the capital intensive nature of DaaS subscription-based service to our Group, this is factored into the pricing of the service and the duration of service required by our customers, of which it is converted into recurring revenue to our Group as the service ranges up to 5 years. Through the provision of DaaS subscription-based service, we are able to retain our customers and our Group believes that being able to provide our customers with the flexibility to adjust their usage according to their latest business and operational needs will encourage customers to continue renewing the DaaS subscription-based service with our Group. Further, the provision of such service allows us to adequately manage our cost as our Group only needs to purchase the ICT products upon securing customers for the service.

We plan to utilise RM30.90 million, representing 34.1% of our IPO proceeds within 36 months from the date of our Listing to fund the purchase of ICT products such as desktops, laptops, interactive smartboards, workstations, digital signages, printers and servers to increase our inventory to support this expansion. Further details of the utilisation of our IPO proceeds are as set out in Section 4.9.1(a).

7.16.3 We intend to expand our retail operations in Malaysia, particularly in Klang Valley, Johor and Penang by setting up new brand-specialty stores and/or multi-brand concept stores

Since the commencement of our physical store operations in 2010, we have established a wide network of physical stores especially within the central region. As at LPD, our physical store channel comprises 56 brand-specialty stores (with additional 5 brand-specialty stores which are expected to commence operations by September 2022) and 7 multi-brand concept stores spread across Kuala Lumpur, Selangor, Putrajaya, Perak and Kelantan. Moving forward, we intend to further expand our retail operations in Malaysia, particularly in Klang Valley, Johor and Penang.

With that, we plan to set up 10 new brand-specialty stores and/or multi-brand concept stores. As at LPD, we are in the midst of identifying suitable locations for rent to set up our outlets whereby we will target shops located in established residential areas or shopping malls with high foot traffic. The average historical capital expenditure for setting-up physical stores is approximately RM250,000 per store, comprising general renovation works, purchase of point-of sales system, security system and advertising works, and installation of digital signages, amongst others. Hence, we estimate the cost required to set up a new physical store to be the same at RM250,000 per store.

We plan to utilise RM2.50 million, representing 2.8% of our IPO proceeds within 36 months from the date of our Listing, with an allocation of RM250,000 for each physical store, to fund the set-up which will include expenses for general renovation works, purchase of point-of-sales system, security system and advertising works, installation of digital signages and other expenses. Any additional cost over and above this allocation will be funded via internally generated funds. We plan to set up 5 physical stores within 24 months from the date of our Listing, and another 5 physical stores in the following year. Further details of the utilisation of our IPO proceeds are as set out in Section 4.9.1(a).

7. BUSINESS OVERVIEW (Cont'd)

7.16.4 We intend to further enhance the brand recognition of JOI® through various marketing activities

Our house brand, JOI®, was first introduced to the market in 2014 when we launched our JOI® 8 tablet. Since then, we have been expanding our range of JOI® ICT products offering to include laptops, desktops, interactive smartboards, content media servers, mobile charging stations and related peripherals. Through our R&D efforts, we have also introduced our JOI® smart classroom framework and our JOI® Smart Sense solution. JOI® smart classroom framework is a solution that integrates and combines a broad range of features to support effective teaching and learning, connectivity, interactivity and collaborative works in educational institutions; while JOI® Smart Sense solution is a multifunctional kiosk integrated with facial recognition and body temperature scanning functions, and artificial intelligence functions that collects customers' information (e.g. traffics, behaviours and interactions) based on facial recognition and displays advertisement contents to target customer for effective marketing. JOI® Smart Sense solution is a multifunctional kiosk integrated with facial recognition, body temperature scanning and artificial intelligence functions that collect customer information as the customer walks by the kiosk (e.g. foot traffic, behaviour and interactions) and displays targeted advertisement content to the customer for intelligent marketing. Further details on our JOI® smart classroom framework and JOI® Smart Sense solution are as set out in Section 7.14.

Our JOI® Smart Sense solution was launched in June 2022. Since the launch of our JOI® smart classroom framework and up to LPD, we have successfully secured 59 projects with educational institutions (which were recognised as one-off transaction), inclusive of 11 projects secured through dealers, for the implementation of our JOI® smart classroom framework for educational institutions nationwide.

As our JOI® ICT products are competitively priced and are able to cater to the market's needs for affordable ICT products, we intend to further enhance the brand recognition of JOI® through various marketing activities to extend our market outreach. We plan to utilise RM1.50 million, representing 1.7% of our IPO proceeds within 36 months from the date of our Listing to fund our marketing activities. This will include social media advertising, engagement of key opinion leaders, advertising through digital websites and search engines, online marketing solutions, organising physical and virtual events, advertising through radio broadcast and outdoor advertising. Further details of the utilisation of our IPO proceeds are as set out in Section 4.9.1(c).

The rest of this page is intentionally left blank

8. IMR REPORT

SMITH ZANDER INTERNATIONAL SDN BHD 201301028298 (1058128-V)
15-01, Level 15, Menara MBMR, 1 Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia
T : +603 2732 7537 W : www.smith-zander.com

SMITH ZANDER

Date: 5 July 2022

The Board of Directors

SNS Network Technology Berhad
61, Jalan Sultan Nazrin Shah
30250 Ipoh
Perak Darul Ridzuan

Dear Sirs/ Madams,

Independent Market Research Report on the Information and Communications Technology (“ICT”) Products and Services Industry in Malaysia (“IMR Report”)

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD (“SMITH ZANDER”) for inclusion in the Prospectus in conjunction with the listing of SNS Network Technology Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry in which SNS Network Technology Berhad and its subsidiaries (“SNS Group”) operate and to offer a clear understanding of the industry and market dynamics. As SNS Group is principally involved in the provision of ICT products, services and solutions, the scope of work for this IMR Report will thus address the following areas:

- (i) The ICT products and services industry in Malaysia;
- (ii) Industry drivers, risks and challenges;
- (iii) Competitive overview; and
- (iv) Device-as-a-Service (“DaaS”) market in Malaysia.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an “overall industry” perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies mentioned in this report or otherwise.

For and on behalf of SMITH ZANDER:



DENNIS TAN TZE WEN
MANAGING PARTNER

8. IMR REPORT (Cont'd)

SMITH ZANDER

COPYRIGHT NOTICE

No part of this IMR Report may be given, lent, resold, or disclosed to non-customers or any other parties, in any format, either for commercial or non-commercial reasons, without express consent from SMITH ZANDER. Further, no part of this IMR Report may be extracted, reproduced, altered, abridged, adapted, modified, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, for purposes other than the listing of SNS Network Technology Berhad on the ACE Market of Bursa Malaysia Securities Berhad, without express consent from SMITH ZANDER.

Any part of this IMR Report used in third party publications, where the publication is based on the content, in whole or in part, of this IMR Report, or where the content of this IMR Report is combined with any other material, must be cited and sourced to SMITH ZANDER.

The research for this IMR Report was completed on 1 July 2022.

For further information, please contact:

SMITH ZANDER INTERNATIONAL SDN BHD

15-01, Level 15, Menara MBMR
1, Jalan Syed Putra
58000 Kuala Lumpur
Malaysia
Tel: + 603 2732 7537

www.smith-zander.com

© 2022, All rights reserved, **SMITH ZANDER INTERNATIONAL SDN BHD**

About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has 24 years of experience in market research and strategy consulting, including over 19 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

8. IMR REPORT (Cont'd)

SMITH ZANDER

1 THE ICT PRODUCTS AND SERVICES INDUSTRY IN MALAYSIA

Overview of ICT products and services industry

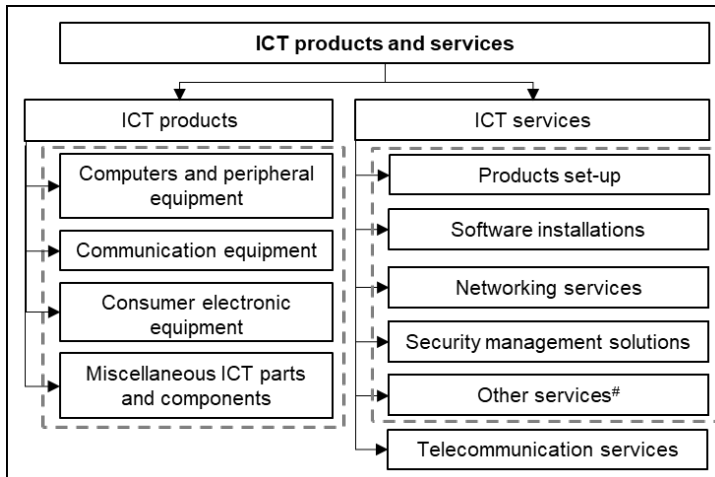
ICT refers to the technologies and services that enable information to be accessed, stored, processed, transformed and disseminated, including the transmission or communication of voice, image and/or data over a variety of transmission media.

In Malaysia, the ICT industry is a high performing industry that contributes to enhancing overall national productivity, where it has evolved beyond technological tools to become a socio-economic enabler and key driver of businesses. The ICT industry is able to improve the efficiency and effectiveness of product and/or service delivery, and the extensive features and characteristics of ICT are continually impacting the way individuals work, play and learn.

According to the Department of Statistics Malaysia (“DOSM”), the ICT sector is one of the fastest growing industries in Malaysia with the sector contributing to the Gross Domestic Product (“GDP”) growing from RM183.04 billion in 2018 to RM201.59 billion in 2020¹ at a Compound Annual Growth Rate (“CAGR”) of 4.94%. In 2020, the ICT sector contributed to 14.23% of Malaysia’s GDP. The growth areas in the ICT sector are the sale of ICT products, provision of cloud services, networking services, security management solutions, data analytics and storage, amongst others.

The ICT products and services industry refers to the industry within the ICT sector where industry players offer ICT products which are the equipment used for communicating, networking, transmitting and receiving of information, as well as ICT services which are services associated to enabling the usage of ICT products. ICT products include computers and peripheral equipment (e.g. desktops, laptops, monitors, printers, storage devices, networking equipment and servers, keyboards, mice and visual projection equipment), consumer electronic equipment (e.g. earphones and audio devices, televisions and radios), communication equipment (e.g. mobile phones and tablets) and miscellaneous ICT parts and components (e.g. integrated circuits and printed circuit boards). ICT services include products set-up, software installation, networking services, security management solutions, telecommunication services and other services. Providers typically bundle ICT services (e.g. product set-up, software installation and networking services) during the sale of ICT products. Nevertheless, ICT services can also be offered as standalone services (e.g. cloud services, security management solutions and web services solutions). The segmentation of ICT products and services is as follows:

Segmentation of ICT products and services



- Notes:
- [Dashed box] denote the segments in which SNS Group is involved in.
 - # other services include web and cloud services, surveillance solutions and after-sales services.
 - This list is not exhaustive.

Sources: DOSM, SMITH ZANDER

In the ICT products and services industry, brand owners oversee the core processes comprising manufacturing, distribution, and sales and retail. ICT products are typically manufactured and assembled in-house by brand owners or by third-party manufacturers and assemblers appointed by brand owners. Thereafter, the ICT products are distributed by the brand owners’ own distribution arms or by appointed distributors to service providers/ system integrators, dealers/ resellers and consumer electrical and electronic (“E&E”) retailers. Dealers/ resellers may also act as distributors where they sell to other ICT specialty stores, departmental stores and supermarkets.

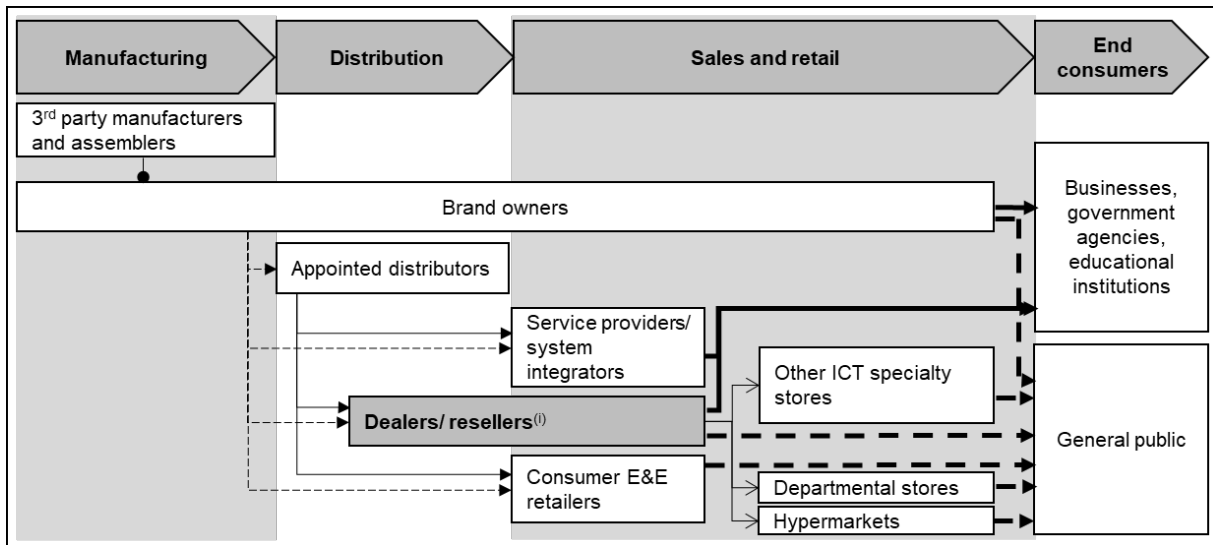
Businesses, government agencies and educational institutions typically source ICT products and services from brand owners, service providers/ system integrators and dealers/ resellers who are able to supply in bulk and bundle ICT products with ICT services. General consumers typically purchase ICT products from brand owners, dealers/ resellers, consumer E&E retailers, other ICT specialty stores, departmental stores and supermarkets. The value chain of the ICT products and services industry is as follows:

[The rest of this page is intentionally left blank]

¹ Latest available as at 1 July 2022.

8. IMR REPORT (Cont'd)

Value chain of the ICT products and services industry



Notes:

- denotes sales from 3rd party manufacturers and assemblers to brand owners.
- denotes sales from brand owners to appointed distributors, service providers/ system integrators, dealers/ resellers and consumer E&E retailers.
- denotes sales from appointed distributors to service providers/ system integrators, dealers/ resellers and consumer E&E retailers.
- denotes sales from dealers/ resellers to other ICT specialty stores, departmental stores and hypermarkets.
- denotes sales from brand owners, service providers/ system integrators and dealers/ resellers to businesses, government agencies and educational institutions.
- denotes retail sales from brand owners, dealers/ resellers, consumer E&E retailers, other ICT specialty stores, departmental stores and hypermarkets to general consumers.
- SNS Group is categorised as a dealer/ reseller.
- ⁽ⁱ⁾ Sales may be transacted amongst dealers/ resellers.

Source: SMITH ZANDER

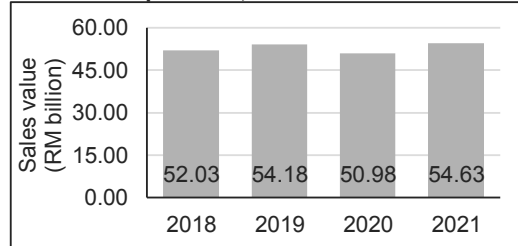
Industry performance, size and growth

The size of the ICT products and services industry is represented by the sales of ICT products and the gross value added of ICT services (computer programming, consultancy, information and related activities). The sales of ICT products grew from RM52.03 billion in 2018 to RM54.18 billion in 2019, decreased to RM50.98 billion in 2020, and increased to RM54.63 billion in 2021. The overall CAGR from 2018 to 2021 was 1.64%.

The decline in the sales of ICT products in 2020 was due to the temporary mandatory closure of physical stores and/or physical distancing measures in place during the Movement Control Order (“MCO”) periods, and changes in consumer behaviour to avoid going out to reduce the risk of contracting the COVID-19 virus. Nevertheless, the overall impact of the COVID-19 pandemic was partially cushioned by the increasing demand for laptops and desktops due to working from home arrangements and online classes for students at schools and universities, according to several sources, including the National Tech Association of Malaysia (PIKOM), Lazada and Shopee².

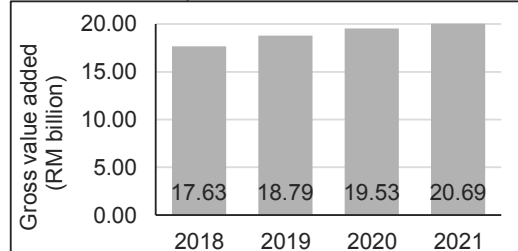
Meanwhile, gross value added of ICT services (computer programming, consultancy, information and related activities) increased from RM17.63 billion in 2018 to RM19.53 billion in 2020, at a CAGR of 5.25%. SMITH ZANDER estimates the gross value added of ICT services (computer programming, consultancy, information and related activities) to have increased from RM19.53 billion in 2020 to RM20.69 billion in 2021 at a year-on-year (“YoY”) growth rate of 5.94%. The parameters for the estimation take into consideration the

Sales of ICT products, 2018 – 2021



Sources: DOSM, SMITH ZANDER analysis

Gross value added of ICT services (computer programming, consultancy, information and related activities), 2018 – 2021



Sources: DOSM, SMITH ZANDER analysis

² Sales of laptops, tablets and other gadgets surge in Malaysia during ongoing MCO, The Straits Times, 2 March 2021.

8. IMR REPORT (Cont'd)

SMITH ZANDER

historical growth for ICT services, the industry drivers and restraints as well as economic and industry developments in 2021.

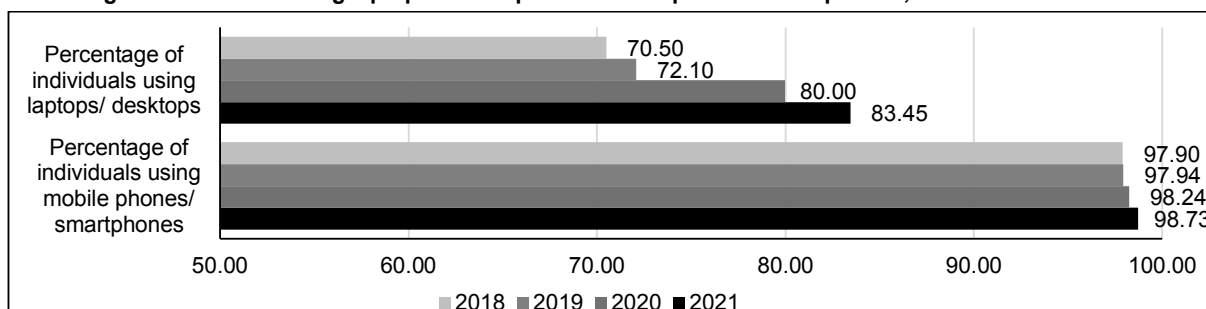
2 INDUSTRY DRIVERS, RISKS AND CHALLENGES

Key industry drivers

► **The wide usage of ICT drives the demand for ICT products and services**

ICT has become an essential part in everyday lives where it is used for communication, social and networking, e-commerce, e-sports and entertainment as well as work and learning. The percentage of individuals using the internet in Malaysia grew from 81.20% in 2018 to 96.77% in 2021³. This growth is backed by increased online activities such as communication by text (grew from 96.50% in 2018 to 98.10% in 2020), social and networking (grew from 85.60% in 2018 to 93.30% in 2020), e-commerce (grew from 53.30% in 2018 to 64.20% in 2020), and e-sports (grew from 35.20% in 2018 to 42.80% in 2020)⁴. The increase in online activities consequently drove the demand for ICT products and services, as evidenced in the increased percentage of individuals using laptops/ desktops which grew from 70.50% in 2018 to 83.45% in 2021, and percentage of individuals using mobile phones/ smartphones which grew from 97.90% in 2018 to 98.73% in 2021⁵.

Percentage of individuals using laptops/ desktops and mobile phones/ smartphones, 2018 – 2021



Source: DOSM

ICT products and services are important for businesses to support and improve their business operations. According to the Companies Commission of Malaysia (“CCM”), the total number of businesses (i.e. companies, sole proprietorships and partnerships) in Malaysia increased from 8.47 million in 2018 to 9.95 million in 2021, at a CAGR of 5.51%. As businesses grow and expand, the demand for ICT products and services also increases to facilitate the growth. Further, ICT products may be replaced periodically to upgrade the IT infrastructure as part of the businesses’ continuous effort to enhance the efficiency of business operations, improve productivity and reduce maintenance costs of old devices. This is in line with the fourth industrial revolution (Industry 4.0) which drive businesses to invest in new technologies (e.g. ICT products, systems and machineries) to streamline operational processes, boost productivity, increase people collaboration, increase workforce and machinery interconnectivity through internet of things (IoT), and leverage on data analytics to make data-driven decisions.

The outbreak of the COVID-19 pandemic in 2020 and 2021 had led to the imposition of movement restrictions by the Government of Malaysia (“the Government”) to curb the spread of the virus. This had boosted the demand for ICT products and services due to working from home arrangements and online classes for students. The COVID-19 pandemic has also served as a catalyst to the rapid adoption and execution of digitalisation initiatives in businesses to adjust to the new normal for business sustainability. Therefore, with the increased reliance on ICT, the demand for ICT products and services is expected to remain strong moving forward.

► **Replacement cycle of devices and continuous technology advancement drive the demand for new ICT products and services**

Brand owners roll out new devices with upgraded technologies, functionalities and features such as larger memory, shorter battery charging time, water resistance function and higher resolution camera, to stay competitive in the market. This, in turn, will encourage consumers to keep up with the latest technologies and to change their devices frequently, thus bolstering the demand for ICT products and services.

Further, due to underlying component wear and tear, ICT products are often replaced after their useful lives. New generations of software and operating systems are often designed to increase the efficiency of the products by including new features and file types which may be incompatible with older versions. In addition, older operating systems and web-browsers increase cyber-security risks on the devices as they are incompatible to protect against newer viruses. With this, consumers purchase new ICT products as replacements and at the same time satisfy their need to own ICT products with the latest technologies.

³ Source: DOSM

⁴ Source: Malaysian Communications and Multimedia Commission (MCMC), latest available as at 1 July 2022.

⁵ Source: DOSM

8. IMR REPORT (Cont'd)**SMITH ZANDER****► Implementation of initiatives for digital transformation drives the demand for ICT products and services**

In 1996, the Government introduced the Multimedia Super Corridor (“MSC”) under the Malaysia Digital Economy Corporation (“MDEC”). It involved a partnership between the Government, acting as the chief architect of its vision, and the private sector, acting as the main driver for its implementation. The MSC was implemented to accelerate the growth of Malaysia’s digital economy by providing ICT-related business, both local and foreign, with a wide range of incentives, rights and privileges to promote the growth of the ICT sector. This is to establish Malaysia as the Heart of Digital ASEAN, a regional digital powerhouse and industry pioneer. Since the inception of MDEC, the contribution of the digital economy sector, comprising the ICT industry and e-commerce industry, to Malaysia’s GDP has been increasing steadily. The digital economy sector increased from RM270.15 billion in 2018 to RM320.00 billion in 2020, at a CAGR of 8.84%, while its contribution to Malaysia’s GDP increased from 18.66% in 2018 to 22.59% in 2020⁶.

The latest blueprint introduced to accelerate the growth of the digital economy is known as the Malaysian Digital Economy Blueprint (“MyDigital”), which was launched on 19 February 2021. The blueprint serves as a foundation for Malaysia’s transformation into a “regional digital pulse” by 2030 with the targets listed below:

- Empowering digitally skilled Malaysians through enabling 100.00% of household having access to the internet, all students to have access to online learning and creating 500,000 new digital related jobs;
- Accelerating digitally-powered businesses by having 875,000 micro, small and medium enterprises (MSMEs) adopt E-commerce, attracting local and foreign companies into the country, investing RM70.00 billion in digitalisation and increase the number of start-ups to 5,000; and
- Accelerating a digitally enabled Government by having 100.00% of Government servants to possess digital literacy, 80.00% of end-to-end online Government services available, all ministries and agencies to provide cashless payment option and 80.00% usage of cloud storage across the Government in 2022.

Through MyDigital, the Government also allocated an investment of RM15.00 billion to aid the implementation of 5G nationwide over a period of 10 years which is expected to create approximately 105,000 job opportunities. Digital Nasional Berhad (“DNB”) which is wholly-owned by the Ministry of Finance along with local telecommunication companies will undertake the deployment of 5G infrastructure and network nationwide. As of 1 July 2022, Telekom Malaysia Berhad and YTL Communications Sdn Bhd are the first two operators to provide 5G network access to their respective customers in certain areas of Kuala Lumpur, Cyberjaya and Putrajaya. DNB aims to achieve approximately 40.00% coverage in populated areas by the end of 2022 and subsequently will be extended nationwide to cover other urban and rural areas and industrial parks, with a target of approximately 80.00% coverage in populated areas by the end of 2024. Further, Telekom Malaysia Berhad has collaborated with Cisco International Ltd as part of Cisco’s Country Digital Acceleration programme to focus on 5G innovation and digital transformation in the public sector, industries, MSMEs and service provider sector. With the new digitalisation targets rolled out, it is evident that the demand for ICT products and services will increase in the near future in accordance with Malaysia’s effort to achieve all the above targets.

► Incorporation of ICT to promote digital education in schools in Malaysia drives demand for ICT products and services in the education sector

Leveraging ICT in education has been one of the main goals to shift the national education system to a world-class standard since 2013 under the Malaysian Education Blueprint (2013 – 2025). In the blueprint, the Ministry of Education will focus on scaling up and intensifying ICT usage among students and teachers. Measures undertaken will include:

- Equipping all 10,000 national schools with 4G internet access and a virtual learning platform that can be used by teachers, students, and parents through the 1BestariNet programme;
- Training all teachers to embed ICT in teaching and learning in order to support students’ learning;
- Increasing the number of ICT devices until the student-to-device ratio reaches 10:1. The ratio may be lowered further subject to an impact assessment and availability of funds; and
- Piloting ICT innovations for delivery such as distance-learning and self-paced learning before scaling up nationwide.

Further, the Ministry of Education has collaborated with technology companies, namely Google, Microsoft and Apple to revamp its digital learning platform, Digital Education Learning Initiative Malaysia DELIMa, to offer applications and services to teachers and students for digital learning. Through this initiative, every teacher and student will be provided with access to teaching and learning platforms provided by these technology companies, such as Google Classroom, Microsoft 365 and Apple Teacher Learning Centre. Teachers could create classes, distribute assignments and communicate with students, to facilitate the teaching and learning processes.

Due to the COVID-19 pandemic, movement restrictions and lockdowns have been imposed for different durations in 2020 and 2021. Education institutions including primary schools, secondary schools and universities have been ordered to temporarily close to curb the spread of the COVID-19 pandemic. Therefore, the conventional classroom teaching and learning practices have shifted to e-learning and teachers were immediately tasked with implementing distance learning modalities. During the period of closure of educational institutions, e-learning became the main medium used to ensure teaching and learning continue to be conducted. Teacher and parents/ students purchase laptops and desktops to assist in e-learning, which thereby drive the ICT products and services industry. With the relaxation of COVID-19 standard operating procedures, all primary and secondary students were required to return to schools by April 2022 and May 2022, respectively, to attend physical classes. Nevertheless, ICT products remain essential in facilitating the teaching and learning processes for accessing learning resources and completing day-to-day assignments.

⁶ Latest available as at 1 July 2022.

8. IMR REPORT (Cont'd)

SMITH ZANDER

Key industry risks and challenges**► Competition amongst industry players**

The ICT products and services industry in Malaysia is fragmented and competitive due to the large number and fragmented nature of industry players including large companies, small to medium enterprises and sole proprietorships which offer ICT products and services to businesses, government agencies, educational institutions and general consumers. There are a large number of industry players comprising brand owners, service providers/ system integrators and dealers/ resellers who are able to supply in bulk to businesses, government agencies and educational institutions and bundle ICT products with ICT services; and there are a large number of industry players comprising brand owners, dealers/ resellers, consumer E&E retailers, other ICT specialty stores, departmental stores and hypermarkets who operate physical stores and/or e-commerce stores for retail sales to general consumers.

ICT products and services are considered necessities. The factors affecting consumers' purchase decisions are price, product features, customer service and after-sales service. Industry players need to maintain their competitive edge by taking measures such as providing quality products and services at competitive prices, ensuring good customer service and after-sales services and employing effective marketing strategies. Any failure on the industry players' part to remain competitive could lead to reduced sales volume and impact their profitability.

► Adverse economic conditions have an impact on the sales of ICT products and may adversely impact industry players

The ICT products and services industry is, to a certain extent, dependent on the state of the economy. A growing economy will contribute to increasing disposable income and purchasing power of consumers, as well as spending budgets of businesses, which will spur demand for ICT products and services. A decline in economic conditions in Malaysia will have the opposite effect, in decreasing purchasing power and expenditure and cause a reduction in the demand for ICT products and services, which may negatively impact the overall financial performance of industry players.

In view of the outbreak of the COVID-19 pandemic, Malaysia recorded a 5.59% decrease in GDP in 2020, indicating adverse economic conditions for the year. The COVID-19 pandemic had led to loss of businesses and jobs, pay cuts or lower salary growth, increase in unemployment rates and reduction in consumer purchasing power. This unprecedented event had resulted in economic uncertainty, whereby consumers and businesses were more prudent in their spending and withheld from buying unnecessarily, which affected the ICT products and services industry. However, the overall impact of the COVID-19 pandemic was partially cushioned by the increase in demand for laptops and desktops due to working from home arrangements and online classes for students at schools and universities. In 2021, the Malaysian economy improved with a 3.10% increase in GDP, and Bank Negara Malaysia projects the Malaysian economy to expand within the range of 5.30% to 6.30% in 2022. Nevertheless, any occurrence of similar pandemics or other unforeseen events which impact economic conditions will subsequently cause a reduction in the demand for ICT products and services.

► Global shortage of semiconductors results in the increase of semiconductor prices. Correspondingly leading to temporary supply disruption of ICT products and increasing the cost of sales of industry players

Semiconductor is an integral component to provide functions such as operations control, data processing and storage, input and output management, sensing, wireless connectivity and power management, which is essential to power ICT products, medical equipment and vehicles.

Following the global outbreak of the COVID-19 pandemic, the demand for medical equipment which is used for the treatment of infected patients increased, such as ventilator systems for mechanised breathing support for patients, portable ultrasound devices for rapid response temperature screening and ultrasound imaging of patients' lungs and internal organs. The demand for ICT products such as laptops, desktops and smartphones also surged as a result of working from home arrangements and online classes for students due to closure of offices and educational institutions. As a result, semiconductor manufacturers increased manufacturing output to cater to the demand for semiconductor, mainly from these 2 industries. In contrast, with the imposition of movement controls in many countries, the demand for vehicles reduced, causing the cancellation of semiconductor orders from vehicle manufacturers.

With the reopening of economies, the demand for medical devices and ICT products have continued to increase, while the demand for other products such as vehicles began to normalise. As such, semiconductor manufacturers have been facing surges in the demand for semiconductor. With the same manufacturing capacities, semiconductor manufacturers have not been able to cope with the surging demand, causing a shortage in the global supply of semiconductors. The shortage in the global supply of semiconductors has exacerbated in 2022, caused by the Russia-Ukraine conflict that disrupted the supply of neon gas used in semiconductor manufacturing; as well as the lockdowns in China which caused global supply chain disruptions. Correspondingly, prices of semiconductors have been increasing. As a result, the supply of ICT products has also been affected, and the cost of sales of industry players have also been increasing. Any failure of the industry players to pass on the increase in cost of sales to customers could impact their profitability.

[The rest of this page is intentionally left blank]

8. IMR REPORT (Cont'd)

SMITH ZANDER

3 COMPETITIVE OVERVIEW**Competitive landscape**

The ICT products and services industry in Malaysia is competitive due to the large number and fragmented nature of industry players including large companies, small to medium enterprises and sole proprietorships which offer ICT products and services to businesses, government agencies, educational institutions and general consumers.

ICT products are sold to businesses, government agencies and educational institutions by brand owners, service providers/ system integrators and dealers/ resellers such as SNS Group who are able to supply in bulk and bundle ICT products with ICT services.

Further, ICT products are sold to general consumers by retailers which are:

- Brand owners who operate brand specialty stores which display, promote and sell mostly or exclusively their branded products (e.g. Apple, Samsung, Huawei, Oppo, Vivo, Hewlett Packard, Acer, Lenovo, Dell, Asus and Sony);
- Dealers/ resellers such as SNS Group;
- Other ICT specialty stores; and
- Consumer E&E retailers (e.g. Senheng, Harvey Norman and COURTS), departmental stores and hypermarkets which also sell ICT products as part of their product offerings.

Retailers traditionally sell ICT products through physical stores. Along with the popularity of e-commerce, many retailers also sell online, either through self-operated online stores and/or on third party online marketplaces such as Lazada and Shopee. There are also retailers which may solely operate online stores without any physical stores. This fragmented nature of the ICT products and services industry in Malaysia further intensifies competition amongst industry players.

The barriers to entry in the ICT products and services industry are generally low as ICT products can be easily sourced in the market and the upfront cost required can be low if a new industry player chooses to start with a small range of ICT product and service offerings. However, to remain competitive in the market and to have a sustainable business over the long term, industry players have to scale up their business, secure consistent supply of products and establish a strong logistics network and relationships with their suppliers in order to have a wide range of offerings and market reach, as well as a strong recognisable brand in the market. Further, industry players are required to continuously improve their product offerings and customer service levels to provide a conducive shopping experience to attract customers.

Closest competitors to SNS Group

SNS Group is a dealer/ reseller, principally involved in the provision of ICT products, services and solutions.

The basis for selection of the closest competitors to SNS Group which are involved in the sale of ICT products to businesses, government agencies and educational institutions are as follows:

- Industry players who are **dealers/ resellers** and/or **service providers/ system integrators**, who are involved in the sale of ICT products comprising hardware/ devices and related peripherals, and provision of ICT services and solutions to businesses, government agencies and educational institutions; and
- Industry players with more than RM100.00 million revenue based on their respective latest available financial statements filed with CCM.

The basis for selection of the closest competitors to SNS Group which are involved in the retail of ICT products to general consumers are as follows:

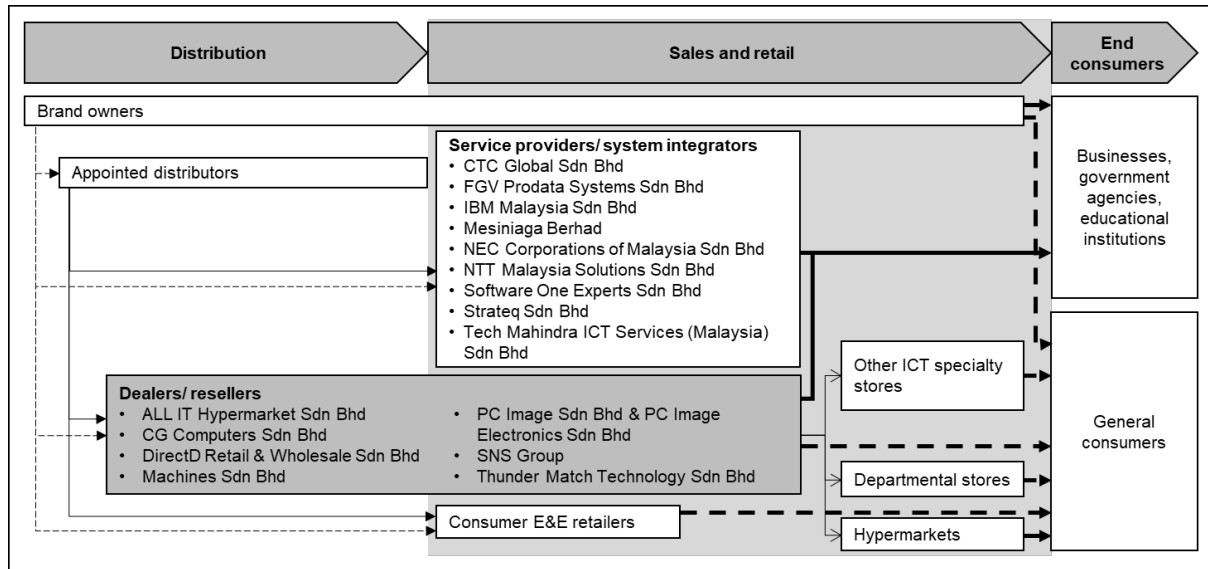
- Industry players who are **dealers/ resellers** who are involved in the retail of ICT products comprising hardware/ devices and related peripherals to general consumers; and
- Industry players with more than RM100.00 million revenue based on their respective latest available financial statements filed with CCM.

The closest competitors below were identified by SMITH ZANDER on the abovementioned basis based on the research carried out by SMITH ZANDER and the availability of information. It is not an exhaustive list of all dealers/ resellers and service providers/ system integrators in Malaysia. It is important to note that SNS Group competes with their closest competitors listed below as well as other industry players that are not included in this list. For example, SNS Group also competes with brand owners for sales to businesses, government agencies and educational institutions; and SNS Group also competes with brand owners, consumer E&E retailers, departmental stores, hypermarkets and other ICT specialty stores for retail sales to general consumers. The closest competitors which SNS Group competes with are summarised in the chart below:

[The rest of this page is intentionally left blank]

8. IMR REPORT (Cont'd)

SMITH ZANDER



Notes:

- SNS Group competes with industry players in the sales and retail segment, the vertical segment shaded in .
- \dashrightarrow denotes sales from brand owners to appointed distributors, service providers/ system integrators, dealers/ resellers and consumer E&E retailers.
- \rightarrow denotes sales from appointed distributors to service providers/ system integrators, dealers/ resellers and consumer E&E retailers.
- \dashrightarrow denotes sales from dealers/ resellers to other ICT specialty stores, departmental stores and hypermarkets.
- \dashrightarrow denotes sales from brand owners, service providers/ system integrators and dealers/ resellers to businesses, government agencies and educational institutions.
- \dashrightarrow denotes retail sales from brand owners, dealers/ resellers, consumer E&E retailers, other ICT specialty stores, departmental stores and hypermarkets to general consumers.

Source: SMITH ZANDER

Details on the business activities and financial information of the closest competitors to SNS Group identified based on the basis for selection above are disclosed as follows:

i. Closest competitors by type of target customer

Closest competitors (i.e. dealers/ resellers and/or service providers/ system integrators) involved in the sale of ICT products to businesses, government agencies and educational institutions

Company name	Business activities	Latest available financial year	Revenue (RM million)	Profit/(loss) after tax (RM million)
CTC Global Sdn Bhd	Cloud computing, virtualisation, hyper-converged infrastructure, enterprise storage, enterprise Unix, end-user computing, enterprise mobility, software installation, enterprise networks, ICT security, supply of ICT products	31 March 2021	681.87	17.77
FGV Prodata Systems Sdn Bhd (A subsidiary of FGV Holdings Berhad)	Cloud computing, automation & artificial intelligence, defence solutions, information technology ("IT") outsourcing (e.g. network services, security services, storage services, hardware rental), supply of ICT products	31 December 2020	135.93	(17.04)
IBM Malaysia Sdn Bhd	Sale of computer hardware, software and IT related services, leasing and credit arrangement to finance the purchase of machines and software, as well as providing maintenance, support services and training	31 December 2020	1,005.15	142.00
Mesiniaga Berhad	Sales and service of ICT products and related services	31 December 2021	240.19	1.78
NEC Corporation of Malaysia Sdn Bhd	End-to-end independent integrated IT solutions and services, supply of multimedia products, total display solutions, telephony, network system & communication products	31 March 2021	223.32	3.07
NTT Malaysia Solutions Sdn Bhd	System integration and managed services	31 March 2021	480.43	36.05
PC Image Sdn Bhd	Retail of ICT products, provision of ICT services and solutions (e.g. system integration, managed network,	31 December 2019	176.62	2.07

8. IMR REPORT (Cont'd)**SMITH ZANDER**

Company name	Business activities	Latest available financial year	Revenue (RM million)	Profit/(loss) after tax (RM million)
PC Image Electronics Sdn Bhd	server, storage and backup infrastructure solutions, cloud services)	30 June 2019	5.16	0.05
SNS Group	Sale of ICT products comprising hardware, devices and related peripherals; provision of ICT services and solutions; provision of device repair and related services; sale of broadband services	31 January 2022	1,112.01	35.92
Segmental revenue for sales from the commercial channel			808.68 ⁽ⁱ⁾	Not applicable
Software One Experts Sdn Bhd	End-to-end software and cloud technology solutions (e.g. cloud services, managed backup, managed security services, software lifecycle management)	31 December 2021	638.00	5.10
Strateq Sdn Bhd	Provides enterprise business solution and enterprise system solution.	31 December 2020	225.37	(2.00)
Tech Mahindra ICT Services (Malaysia) Sdn Bhd	Provides computer programming, consultancy of software systems, ICT system security and other ICT services.	31 March 2021	219.83	(43.02)

Closest competitors (i.e. dealers/ resellers) involved in the retail of ICT products to general consumers

Company name	Name of physical store	Number of physical stores	Latest available financial year	Revenue (RM million)	Profit/(loss) after tax (RM million)
ALL IT Hypermarket Sdn Bhd	ALL IT Hypermarket	13	31 December 2020	224.25	4.88
CG Computers Sdn Bhd	Apple (i.e. Switch), Huawei, Samsung, Sony and Xiaomi brand specialty stores	134	31 December 2020	570.46	9.34
DirectD Retail & Wholesale Sdn Bhd	DirectD	23	31 December 2018	195.24	3.90
Machines Sdn Bhd	Apple (i.e. Machines) brand specialty stores	50	30 June 2021	856.27	37.07
PC Image Sdn Bhd	PC Image	35	31 December 2019	176.62	2.07
PC Image Electronics Sdn Bhd			30 June 2019	5.16	0.05
SNS Group	GLOO, Notebook Plaza as well as Apple (i.e. iTworld), Huawei, Mi, Dell, HP, Asus, Acer, Lenovo, MSI, Omen and AMD brand specialty stores	77	31 January 2022	1,112.01	35.92
Segmental revenue for retail sales, comprising physical stores and online stores				290.58	Not applicable
Thunder Match Technology Sdn Bhd	TMT, as well as Apple (i.e. Thunder Apple), Samsung, Huawei, Oppo, Lenovo, Asus, HP, Acer and Vivo brand specialty stores	49	31 December 2020	405.65	4.71

ii. Closest competitors by type of primary involvement (i.e. sale of ICT products or provision of ICT services)

The closest competitors that are primarily involved in the sale of ICT products are the dealers/ resellers and they typically operate physical and online stores. The closest competitors that are primarily involved in the provision of ICT services are the service providers/ system integrators in which their business activities also involve software programming, cloud computing services, virtualisation, storage and backup infrastructure, managed IT services and IT consultancy services, amongst others. The involvement in the sale of ICT products by these service providers/ system integrators is usually bundled with their ICT services.

Closest competitors (i.e. dealers/ resellers) which are primarily involved in the sale of ICT products

Company name	Latest available financial year	Gross profit margin (%)
ALL IT Hypermarket Sdn Bhd	31 December 2020	10.69
CG Computers Sdn Bhd	31 December 2020	11.91
DirectD Retail & Wholesale Sdn Bhd	31 December 2018	8.82
Machines Sdn Bhd	30 June 2021	10.94
PC Image Sdn Bhd	31 December 2019	6.77
PC Image Electronics Sdn Bhd	30 June 2019	9.68
SNS Group	31 January 2022	8.50
Thunder Match Technology Sdn Bhd	31 December 2020	10.12

8. IMR REPORT (Cont'd)

SMITH ZANDER

Closest competitors (i.e. service providers/ system integrators) which are primarily involved in the provision of ICT services

Company name	Latest available financial year	Gross profit/(loss) margin (%)
CTC Global Sdn Bhd	31 March 2021	9.28
FGV Prodata Systems Sdn Bhd (A subsidiary of FGV Holdings Berhad)	31 December 2020	(2.83)
IBM Malaysia Sdn Bhd	31 December 2020	33.87
Mesiniaga Berhad	31 December 2021	37.24
NEC Corporation of Malaysia Sdn Bhd	31 March 2021	21.48
NTT Malaysia Solutions Sdn Bhd	31 March 2021	28.82
Software One Experts Sdn Bhd	31 December 2021	6.41
Strateg Sdn Bhd	31 December 2020	17.81
Tech Mahindra ICT Services (Malaysia) Sdn Bhd	31 March 2021	(12.90)

Notes:

- Latest available as at 1 July 2022.
- The above identified closest competitors include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of closest competitors is exhaustive.
- (i) SNS Group's segmental revenue for sales from the commercial channel was generated from the distribution and sale of ICT products and the provision of ICT solutions to businesses, government agencies and educational institutions. Businesses may purchase ICT products from SNS Group for onward sale to their customers or for their own use; whereas government agencies and educational institutions purchase ICT products from SNS Group mainly for their own use. Further segmental revenue on purchases for businesses' own use or for onward sale to their customers is not available.

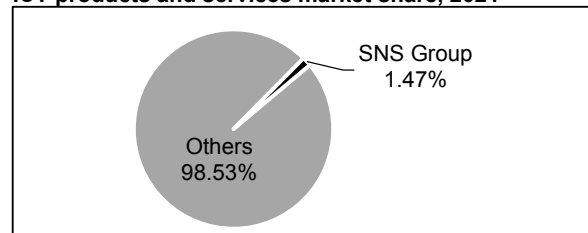
Sources: SNS Group, various company websites, CCM, SMITH ZANDER analysis

Market Share

In 2021, the size of the ICT products and services industry, as represented by the sales of ICT products and the gross value added of ICT services (computer programming, consultancy, information and related activities) in Malaysia, was recorded at RM75.32 billion.

For the year ended 31 January 2022, the revenue of SNS Group from the sale of ICT products comprising hardware, devices and related peripherals, as well as the provision of ICT services and solutions was recorded at RM1.11 billion and thereby SNS Group captured a market share of 1.47% in Malaysia.

ICT products and services market share, 2021



Sources: SNS Group, SMITH ZANDER analysis

4 DAAS MARKET IN MALAYSIA

DaaS is a pay-as-you-use distribution model within the ICT industry, along with other distribution models such as Software-as-a-Service ("SaaS"), Platform-as-a-Service ("PaaS") and Infrastructure-as-a-Service ("IaaS"). The DaaS model allows businesses to have different levels of flexibility and control over the usage of ICT, while reducing the cost of acquiring and maintaining ICT assets. DaaS is a subscription-based ICT products and services distribution model involving 4 aspects: hardware/ device subscription, configuration and deployment, IT asset management and IT software/services, and management of old hardware/equipment⁷.

SaaS may be considered a sub-segment of DaaS whereby software applications (e.g. Dropbox, Office 365) which are hosted by a vendor or service provider are made available to users over the internet. PaaS allows businesses to build software applications by using cloud providers' tools and platform (e.g. Microsoft Azure, Magento Commerce Cloud), with the tools and platform hosted by the cloud provider. IaaS allows businesses to subscribe for the use of servers from providers for cloud computing, networking and storage, while the providers house, run and maintain the servers.

DaaS is a transformation of business model from the traditional hardware/device subscription services due to consumer demand for services under the other 3 aspects (i.e. configuration and deployment, IT asset management and IT software/services, and management of old hardware/equipment), and there is no definite timeline on which DaaS was first introduced in Malaysia. In comparison to DaaS, traditional hardware/device subscription services focus mainly on hardware/device subscription, which is 1 of the 4 DaaS aspects. In DaaS, ICT products and service providers bundle hardware/devices, software and services according to the subscribers' requirements. Under this subscription model, ICT products and service providers will typically manage the subscription from product configuration, deployment and commissioning, provide value-added ICT services and solutions, and managed ICT services. Other ICT services which may be provided throughout the duration of the subscription include ICT asset management and support and maintenance

⁷ Intel Device as a Service White Paper, 2020.

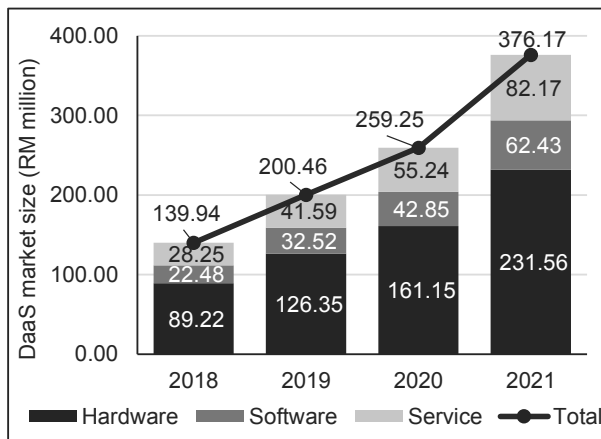
8. IMR REPORT (Cont'd)

SMITH ZANDER

services such as system updates and patching, remote diagnosis and maintenance, live technical support, extended warranty, data backup and data migration, as well as management of old equipment such as recycling, data erasure and equipment refurbishment. Nevertheless, traditional hardware/device subscription service providers still serve the industry.

Through DaaS subscription, subscribers will have the flexibility to scale up or down their usage of ICT products and services (e.g. subscription content, number of hardware/devices, software content and value-added services) according to their business and operational needs. This helps subscribers to avoid large upfront capital expenditure required for the purchase and deployment of hardware and software, as well as reduce ICT lifecycle cost such as software upgrades and maintenance and end of life equipment cost. With this model, subscribers will also be able to focus on their business and operations instead of investing in IT related matters such as hiring of fulltime IT personnel, equipment management, deployment, utilisation and maintenance). Premised on the increasing demand for DaaS, the size of the DaaS market in Malaysia grew from RM139.95 million in 2018 to RM376.17 million in 2021, at a CAGR of 39.04%. Hardware/devices was the largest contributor to the DaaS market in 2021, at 61.56%, followed by services at 21.84% and software at 16.60%.

DaaS market size, 2018 – 2021



Sources: Malaysia DaaS Market Size by QY Research Inc, SMITH ZANDER analysis

In Malaysia, DaaS is offered by ICT brand owners, service providers/ system integrators and dealers/ resellers as part of their service offerings. Amongst the selected DaaS providers in the industry are as follows:

Brand owners	Dell	HP	Lenovo
Service providers/ system integrators, and dealers/ resellers	• Acestar Sdn Bhd	• FGV Prodata Systems Sdn Bhd (A subsidiary of FGV Holdings Berhad)	• NEC Corporation of Malaysia Sdn Bhd
	• ActivWorld Group Sdn Bhd	• Formis Network Services Sdn Bhd (A subsidiary of Omesti Berhad)	• PC Image Sdn Bhd
	• Admiral IT Systems Sdn Bhd	• IBM Malaysia Sdn Bhd	• Perfect IT Sdn Bhd
	• AVM Cloud Sdn Bhd (A subsidiary of TIME dotCom Berhad)	• ICT Zone Sdn Bhd (A subsidiary of ICT Zone Asia Berhad)	• Rentalworks Sdn Bhd
	• CBG Infotech Sdn Bhd	• Linear Channel Sdn Bhd	• Smarter Computer Sdn Bhd
			• SNS Group
			• Softline Solutions International Sdn Bhd
			• Tyfon Tech Sdn Bhd

Source: SMITH ZANDER analysis

5 OUTLOOK AND PROSPECTS

The size of the ICT products and services industry is represented by the sales of ICT products and the gross value added of ICT services. The sales of ICT products grew from RM 52.03 billion in 2018 to RM54.18 billion in 2019, decreased to RM50.98 billion in 2020, and increased to RM54.63 billion in 2021. The overall CAGR from 2018 to 2021 was 1.64%. The decline in the sales of ICT products in 2020 was due to the temporary mandatory closure of physical stores and/or physical distancing measures in place during the MCO periods, and changes in consumer behaviour to avoid going out to reduce the risk of contracting the COVID-19 virus. Nevertheless, the overall impact of the COVID-19 pandemic was partially cushioned by the increasing demand for laptops and desktops due to working from arrangements and online classes for students at schools and universities home. Meanwhile, gross value added of ICT services increased from RM17.63 billion in 2018 to RM19.53 billion in 2020, at a CAGR of 5.25%. SMITH ZANDER estimates the gross value added of ICT services (computer programming, consultancy, information and related activities) to have increased from RM19.53 billion in 2020 to RM20.69 billion in 2021 at a YoY growth rate of 5.94%.

The ICT products and services industry is expected to be continuously driven by the wide usage of ICT in everyday lives by the general public and businesses to perform daily and business activities, the replacement cycle of devices and continuous technology advancement, the implementation of initiatives by the Government for digital transformation, as well as the incorporation of ICT to promote digital education in schools.

The size of the DaaS market in Malaysia grew from RM139.95 million in 2018 to RM376.17 million in 2021, at a CAGR of 39.04%. As businesses demand for more flexibility and control over the usage of ICT products and services according to their business and operational needs, while reducing large upfront capital expenditure required for the purchase and deployment of hardware and software, the demand for DaaS subscription is expected to grow in the long term.

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

9.1.1 We are dependent on our brand principals and appointed distributors for the provision of ICT products, services and solutions to our customers

We are dependent on brand principals and appointed distributors for the provision of ICT products, services and solutions. During FYE 2019 to 2022, sales generated from third party branded ICT products accounted for 99.4%, 97.0%, 96.7% and 97.8% of our Group's revenue respectively. Hence, if we are unable to maintain business relationships with our brand principals and appointed distributors or if they cease to be our suppliers, our Group's business and financial performance may be materially and adversely affected due to disruptions in our procurement activities.

Further, we have agreements with our brand principals which are renewed on a yearly basis and the criteria for renewal are subject to our sales performance, quality of pre-sales and post-sales support, ability to achieve minimum certifications and training credits required by brand principals, and level of compliance with sales, products, marketing and trademark guidelines. While we have put in place marketing strategies and operational policies to achieve such criteria, there is no assurance that we will be able to achieve all the requisite criteria to renew our agreements. If we are unable to renew our agreements with brand principals, we will not be able to receive marketing subsidies provided by brand principals, which may result in our Group having to incur additional cost for marketing activities.

Save for the temporary supply disruptions due to the COVID-19 pandemic as disclosed in Section 7.8, our Group has not experienced any material supply disruptions from our brand principals and appointed distributors during FYE 2019 to 2022 and up to LPD. Nevertheless, there can be no assurance that we will not encounter any material disruption in supplies or that we will be able to continue sourcing for ICT products from our existing brand principals and appointed distributors to provide ICT products, services and solutions to our customers.

9.1.2 We may be affected by the quality of products from brand principals, appointed distributors, OEMs and suppliers

The third party ICT products that we sell carry with them product warranties from the brand principals. During the warranty period, we are liable to deal with our brand principals and appointed distributors, on behalf of our customers, should our customers experience any product defects. As the risk of product defects is dependent on the quality of ICT products manufactured or supplied by the brand principals, we have limited or no ability to control the quality of brand principals' products. As such, any product defects that are not resolved to our customers' satisfaction may adversely affect our Group's relationship and reputation with our customers.

Further, we are the brand principal of our JOI® ICT products. The risk of product defects is dependent on the quality of JOI® ICT products assembled by our OEMs, as well as the quality of manufactured components that we source for our in-house assembly of JOI® desktops. While we have back-to-back agreements with our OEMs and suppliers on component defects, our Group may still be exposed to expenses incurred for the repair of our JOI® ICT products during the warranty periods. In addition, frequent occurrence of product defects of our JOI® ICT products may create negative consumer perception towards JOI®, which may adversely affect the demand for our JOI® ICT products.

9. RISK FACTORS (Cont'd)

9.1.3 We are dependent on our Executive Directors and key senior management for continued success and growth of our business

We attribute our continuous success to the abilities, skills, experience, competency and efforts of our Executive Directors and key senior management personnel.

We depend particularly on the leadership of our Managing Director, Ko Yun Hung, and our Executive Directors, Pah Wai Onn and Siow Wei Ming to spearhead the strategic direction and to drive the business development and growth of our Group. Additionally, we also depend on Thong Soon Cheong (Group Financial Controller), Eng Su Fern (Development Director) and Tham Sau Har (Administrative and Operations Director) for their expertise in their respective roles which are essential to our business operations to support the growth of our Group.

Therefore, the loss of any of our Executive Directors and key senior management simultaneously or within a short period of time may create unfavourable impact on our Group's operations and the future growth of our business. If we are unable to attract suitable talents to replace the loss of any of our Executive Directors and key senior management in a timely manner, our business operations, financial performance and prospects may be adversely affected.

9.1.4 Our business and operations are exposed to unexpected interruptions or delays as well as environmental factors, some of which may be beyond our control, which may lead to interruptions in our operations

Our business and operations are exposed to unexpected interruptions or delays, some of which may be beyond our control, which may lead to interruptions in our operations. As we are involved in the retail of consumer goods, we carry an inventory of ready products for sale in our headquarters' storage facility and physical stores. The occurrence of fire and floods are beyond our control and may cause damage or destruction of all or part of our inventories in our storage facility and physical stores, resulting in interruptions to our business operations as we may face temporary shortages in inventories for sale. While we have not experienced any incidents of catastrophic inventory damages as a result of fires or floods, which had led to major interruptions in our operations, there can be no assurance that such incidences will not happen in the future. If these incidences occur, our business operations may be interrupted which may adversely affect our financial performance.

As our headquarters' storage facility is located in Ipoh and our physical stores are located in various parts of Kuala Lumpur, Selangor, Putrajaya, Negeri Sembilan, Perak, Penang and Kelantan, our Group undertakes weekly delivery of ICT products to our physical stores. Other than our in-house logistics team, we rely on third party logistics service providers for deliveries to our physical stores. These logistics may, on occasion, have delays in shipping due to bad traffic and weather, loss of shipments, process and tracking errors, or damaged products and/or packaging due to poor logistics handling. The occurrence of these unexpected events which are beyond our control may result in delays in product delivery or product damage, and may consequently give rise to negative consumer perception towards our products and services. Further, we also rely on third party logistics and warehousing service providers to support our operations nationwide and deliveries to our customers. The engagement of such services may also expose our Group to the risk of losses due to product mishandling.

9. RISK FACTORS (Cont'd)

While our Group has not experienced losses during FYE 2019 to 2022 and up to LPD, there can be no assurance that incidences of product mishandling caused by third party logistics and warehousing service providers will not occur in the future. The occurrence of these unexpected events which are beyond our control may result in delays in product delivery or product damage to customers, and may consequently give rise to negative perception towards our products and services. Product mishandling that result in product damage may also lead to us having to incur additional cost to replace the products, thus affecting our financial performance.

9.1.5 We may not be able to manage our growth or successfully implement our business strategies effectively

As part of our Group's strategy to support the continued growth of our business and to enhance our market presence, we intend to expand our DaaS subscription-based service offering; expand our retail operations in Malaysia, particularly in Klang Valley, Johor and Penang through setting up new brand-specialty stores and/or multi-brand concept stores; set up our Regional Hub to support the expansion of our business; and enhance the brand recognition of JOI® through various marketing activities. Collectively, we have allocated RM52.9 million from our IPO proceeds for the abovementioned business strategies, further details of which are as set out in Section 7.16. In order to successfully implement our expansion plan, it is imperative that our Group remains competitive, and to do so, we are committed to improve our ICT products, services and solutions.

Although we have outlined the above business strategies for growth, they are nonetheless subject to a number of risks, including but not limited to, the construction risk of our Regional Hub, identifying suitable location for our physical stores and recruiting suitable personnel to support our business growth. In addition, the business strategies also require a certain level of capital expenditure for which the outcome may be uncertain due to the risks involved coupled with changes in the economic condition and business environment such as increased competition.

As such, we are not able to assure that we will be successful in executing our business strategies, nor can we be assured that we will be able to anticipate all the business and operational risks arising from our business strategies. Any failure or inefficiencies in managing our business growth may lead to a material adverse effect on our business operations and financial performance.

9.1.6 We are susceptible to the evolution of technological development which may shorten the technological relevance of our offerings if we are unable to adapt to the changes in a timely manner

Our Group operates in a market where products and services are subject to frequent new technologies as well as changes due to technological advancement. Our Group's future growth and success is dependent on our ability to keep abreast with the latest technologies in order for us to meet customers' needs and demand for products with the latest features and functionalities. There is no assurance that we will have sufficient resources to successfully and accurately anticipate technological changes and market trends to adapt our offerings of third party ICT products as well as enhance our JOI® ICT products in a timely and cost-effective manner.

9. RISK FACTORS (*Cont'd*)

In view of the above, our Group's business performance partly depends on our ability to identify appropriate product mix that matches consumer demand and preferences in different localities and across different demographics. Any changes in consumer behaviour patterns towards the demand for ICT products, services and solutions may have a material adverse impact on our Group's financial performance should we fail to adapt our offerings to technological advancements in a timely manner, as it may shorten the technological relevance of our ICT products, services and solutions offerings. Further, if we are unable to adequately manage our inventories to adapt to anticipated technological changes, we are exposed to increased risk of holding obsolete stocks which may in turn, affect our financial performance.

In addition, our Group's operations may also be affected by changes in consumers' shopping behaviour arising from the growing trend of online purchasing, where consumers shop online in addition to physical stores, which could negatively affect the sales of our physical stores. Although we have established online stores to adapt to these changes, there can be no assurance that our online presence is able to make up for any potential reduction in sales at our physical stores.

9.1.7 We are dependent on third party suppliers and OEMs for our JOI® ICT products

We are dependent on third party suppliers to supply components for our in-house assembly of JOI® desktops. We source for desktop components from local and foreign suppliers. Save for JOI® desktops, we are also dependent on OEMs to assemble our JOI® ICT products. Our OEMs are predominantly based overseas, primarily in China and Taiwan. For FYE 2019 to 2022, sales generated from JOI® ICT products accounted for 0.6%, 3.0%, 3.3% and 2.2% of our Group's revenue respectively.

As our Group continues to establish the brand presence of JOI®, any disruptions in the supply of our JOI® ICT products may affect our brand reputation in the market as frequent shortages in supply may lead to poor customer experience and negative market perception. Although we have alternative sources to procure our supplies and appoint other OEMs, there is no assurance that we will be able to deploy the alternative suppliers or OEMs in a timely manner or that the products sourced from alternative suppliers or OEMs will be reasonably priced, all of which may adversely affect our business operations and financial performance.

9.1.8 We are dependent on human resources and the availability of technical professionals

We rely on hiring suitable personnel for our business operations in particular for our physical stores. Based on our experience, attracting suitable personnel for front-line positions at our physical stores can be challenging. The demand for front-line personnel is high due to rapid expansion of shopping malls, and competition from other retailers who are able to offer better employment terms. If we are unable to attract suitable front-line personnel as well as recruit sufficient front-line personnel for our physical stores, this will result in loss of sales and also poor customer service and customers' shopping experience, which may tarnish our reputation. Notwithstanding that, we are not dependent on our appointed operators to operate our physical stores as we select them based on their sales track record and we also set sales targets for our appointed operators. In the event where our appointed operators fail to achieve their sales target, we will either terminate and replace the operator or hire our own personnel to manage the physical store.

9. RISK FACTORS (Cont'd)

Our Group's employee annual turnover rate for personnel employed at our physical stores is high due to competition from other retailers. We employ between 2 to 6 permanent employees at each physical store, depending on the size of the outlets, and have experienced an average annual turnover between 2 to 4 employees per store during FYE 2019 to 2022. We have, therefore incurred high administrative and other operating expenses to employ and attract suitable replacement personnel to ensure that our business operations are not materially affected from shortages of personnel at our physical stores.

Our Group is also dependent on the availability of technical personnel as we are involved in the provision of ICT services and solutions which require technical ICT skills. An experienced professional will have the technical knowledge to propose solutions that fulfil the budget and requirements of customers, as well as provide ICT services and solutions. Further, we also require technical personnel to maintain our proprietary online stores and IT systems to support our operations. The inability to attract or retain qualified and competent technical personnel may affect our ability to compete and grow our business. Although we have not experienced any major disruption to our operations due to shortage of technical personnel, there can be no assurance that we will be able to recruit, develop and retain adequate number of qualified personnel in the future.

9.1.9 We are exposed to the risk of not being able to renew our tenancy agreements and unexpected changes in terms of tenancy and increase in rental

Save for 2 service centres authorised by Apple which are owned by our Group (i.e. 1 at our headquarters in Ipoh and another at 3 Two Square, Petaling Jaya), we operate all our brand-specialty stores, multi-brand concept stores, service centre authorised by Apple and TM broadband reseller stores on rented properties.

Other than 2 properties which are rented from our Managing Director, Ko Yun Hung, all our other rented properties are tenanted from third party mall operators and third party property owners. Most of our tenancy agreements are for a tenancy term of up to 3 years, with options to renew for a further term of up to 3 years. As at LPD, out of 66 tenancy agreements, 23 of these tenancy agreements for our physical stores and service centres will be subject to renewal in 2022. While we do not foresee any major issues in renewing these tenancies upon expiry, there is no assurance that our landlords may not review and change the terms and conditions of the tenancy agreements. Hence, we are subject to the risk of not being able to renew the tenancies on terms and conditions which are commercially acceptable to us, in particular significantly higher rental rates for renewal of tenancies at prime and competitive locations.

While we generally do not foresee any major issues in renewing our tenancy agreements, we may be subject to new terms and conditions imposed by third party mall operators or third party property owners on these tenancies. We may also face interruptions to our outlet operations if we are unable to renew our tenancies at all, or in a timely manner. Further, we also risk being relocated by mall operators to different locations within the mall, upon the renewal of tenancy agreement or during the tenure of the agreement, should we intend to continue operating our retail outlet within the mall. The relocation may impact our financial performance as we will incur additional cost to renovate the new outlet as well as to dismantle the renovation in our existing outlet. We will also incur additional marketing cost to inform customers on our new outlet location.

For each of FYE 2019 to 2022, rental expenses represented between 0.9% to 1.3% of our total revenue, and 19.3% to 26.3% of our total expenses. As such, our Group's financial performance may be adversely affected by any substantial increase in rental rates for our physical stores.

9. RISK FACTORS (Cont'd)

9.1.10 Our business and operations are impacted by the outbreak of the COVID-19 pandemic and possible similar future outbreaks may have a significant adverse effect on our Group

Our business operations were affected during the imposition of the 1st MCO from 18 March 2020 to 3 May 2020 and Phase 1 NRP beginning 1 June 2021 (i.e. the phases of NRP varies from one state to another, subject to the improvement of COVID-19 cases in each state and the announcement by the Government). While we have implemented work-from-home arrangement for the operations at our headquarters and regional offices to ensure the continued operations of our Group, operations at our physical stores (i.e. brand-specialty stores, multi-brand concept stores, consignment counters, service centres authorised by Apple and TM broadband reseller stores) were temporarily suspended during these periods. As a result, sales from these avenues were affected. Nevertheless, we did not experience major disruptions to the operations of our online stores. Further details on the interruptions to our business operations caused by the COVID-19 pandemic are as set out in Section 7.8.

We also face temporary disruptions, in terms of delayed delivery from some of our suppliers due to disrupted supply chains and logistics since the outbreak of the COVID-19 pandemic. Any disruption in the replenishment of inventories may result in lost sales from customers as customers opt to purchase the products elsewhere.

During the period of the COVID-19 pandemic, we were also unable to carry out physical sales and marketing activities such as organising roadshows and attending exhibitions to market our ICT products, services and solutions as a result of the lockdown and/or physical distancing measures. This has affected our business opportunities in capturing more customers and to increase the demand for our products and services.

Any future imposition of restrictions and/or prohibitions, a pandemic or outbreak of other infectious diseases or other health epidemics, may cause disruptions to our business operations. While the surge in demand for ICT products from our online stores had partially offset the financial impact from reduced sales from our physical stores resulting from the COVID-19 pandemic, there can be no assurance that any future outbreak of other infectious diseases or health epidemics/ pandemics will not have a negative impact on our Group's financial performance.

9.1.11 We depend on IT systems to manage our business operations and are exposed to the risk of system malfunctions and security breaches of our IT systems

We use IT systems as a competitive platform to place effective business and operating controls for our business operations. Therefore, we are reliant on the performance of our IT systems such as ERP, cloud-based retail management system, e-commerce platform management system and customer service support system to control, manage and monitor our overall business operations and the operations of our physical stores. As such, there is a risk of interruptions to our business operations and the loss of data if we experience any system malfunctions or security breaches such as malware attacks, computer viruses, hacking, espionage and cyber intrusion, as well as internal security breaches which include unauthorised access to restricted information by employees on our IT systems. Consequently, our operations and/or sales activities may be temporarily impeded which may adversely affect our financial performance. For the financial years under review and up to LPD, there has been no event of security breaches on our Group's IT systems.

9. RISK FACTORS (Cont'd)

We are also involved in the sale of ICT products through our proprietary online stores and as such, our IT system stores a large database of confidential information on our customers. Storing data electronically may expose our database to external security threats such as malware attacks, computer viruses, hacking, espionage and cyber intrusion, as well as internal security breaches which include unauthorised access to restricted information by employees. Exposure to external security threats may render our Group susceptible to data thefts. Under the Personal Data Protection Act 2010 of Malaysia, any service provider that collects customer information has the responsibility to adopt and implement a policy that protects the privacy of identifiable information. Failure to protect our customers' information from security breaches may expose our Group to fines, penalties and other sanctions by governmental authorities, legal actions by our customers for the breach of confidentiality including, but not limited to, lawsuits for damages arising from such breaches, which could adversely affect our business reputation and subsequently may result in long term repercussions on the demand for our ICT products and services.

9.1.12 Our R&D activities may not yield expected benefits

As a player in the ICT products and services industry, we undertake R&D activities to improve our existing products and introduce new products, services and solutions to customers. The time and effort spent on R&D may not always result in the development of commercially-viable applications or improvements to our existing products, services and solutions. ICT products, services and solutions which are being developed may appear promising during the initial R&D stages but may fail to be commercially successful for a variety of reasons such as changes in consumer trends and preferences or the cost to undertake mass production may not be commercially viable. Our business, prospects and financial performance may be adversely affected where the revenue from new or improved products, services and/or solutions is inadequate to cover our R&D expenses or where we are not able to undertake commercialisation of the products and will have to write off the R&D expenses.

While we may be able to develop commercially-viable products, services and solutions from our R&D activities, any delays in bringing them to market may result in the risk of our new products, services and solutions being copied or improved upon by our competitors, which may adversely affect our business, prospects and financial performance.

9.1.13 We are exposed to the risk of pilferage, shoplifting and theft

Our products and cash receipts at our physical stores are susceptible to the risk of pilferage, shoplifting and theft. Further, our inventories in our storage facility are also susceptible to the risk of pilferage and theft. While we have taken measures against pilferage and theft such as installation of CCTVs, anti-theft system, and/or undertake regular total stock counting, we may not be able to prevent, detect or deter all instances of pilferage, shoplifting and/or theft nor can we assure that these preventive measures are adequate.

Any instances of pilferage and theft committed against our interests could expose us to financial loss, and have a material adverse impact on our business and financial performance. For the financial years under review and up to LPD, there was only 1 incident of theft relating to stolen inventories amounting to RM0.65 million resulting from stock lost from sale invoices issued to fictitious customers at our physical store in FYE 2019, whereby the individual is currently being prosecuted. The incident was not covered by our insurance.

9. RISK FACTORS (Cont'd)

9.1.14 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities, such as fire, burglary, public liability and personal accident insurance arising from our business operations. However, our insurance may not be adequate to cover all losses or liabilities that might be incurred in our operations. For example, we maintain customary public liability insurance for our physical stores that are located in malls as required by mall operators. While we are insured against losses resulting from public liabilities occurring in our physical stores, we do not maintain insurance against losses arising from fire and burglary.

Moreover, we will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business and financial performance.

9.1.15 Our intellectual property rights may be infringed and/or we may inadvertently infringe on third party's intellectual property rights

Our Group relies on a combination of trademarks and common law copyright protection to establish and protect our intellectual property. We retain the ownership rights of JOI[®], our house brand of ICT products that was first launched in Malaysia in 2014. Our JOI[®] trademark was first registered with MyIPO in August 2014 for various JOI[®] ICT products, and we continued to register for new trademarks for new JOI[®] ICT products over the years. However, there can be no assurance that our intellectual property rights will adequately protect our Group against any external infringement of our trademark by third parties.

In the continuous enhancement of our JOI[®] products and solutions, there are also possibilities that we could inadvertently infringe on one or more intellectual property rights held by other third parties. This would result in the risk of a third party challenging our Group's intellectual property rights or taking legal action against us, which may be time-consuming and costly.

There is no assurance that any of the above incidents will be resolved in our favour. In the event that we are unsuccessful in pursuing any action against third party infringers, or a third party has successfully established that we have infringed its intellectual property, we may suffer significant loss arising from financial penalties and/or litigation costs. We may also be exposed to other risks such as adverse brand reputation and/or being prevented from selling JOI[®] branded products, which may adversely impact our financial performance.

9.1.16 We are subject to foreign exchange fluctuation risks which may impact the profitability of our Group

Our supplies are sourced from local and overseas suppliers, whereby our local suppliers may also purchase their supplies from overseas manufacturers/suppliers due to the nature of the industry whereby ICT product manufacturers are mainly foreign-based manufacturers. As such, we are subject to foreign exchange fluctuation risks. An appreciation of the RM against the USD generally results in an increase in our cost of purchases. If we are unable to pass on the increase in costs to our customers in a timely manner, our financial performance may be adversely affected.

9. RISK FACTORS (Cont'd)

For sales through our physical store channel and online store channel, we are generally able to pass on the increase in costs to our customers. However, for sales through our commercial channel, our Group may be adversely impacted by foreign exchange fluctuations due to any time lag from the provision of quotation to customers up to the confirmation of order by customers. Under our commercial channel, ICT products are sold directly to businesses, government agencies and educational institutions. Our sales orders to these customers are typically large and may comprise a wide combination of hardware, devices and equipment, thus our Group typically procures the supplies upon the confirmation of order by customers. As the orders are typically large, these customers may take a longer duration to confirm their orders. In the event that the duration taken is longer than expected and that there is an increase in the cost of our supplies during this period of time due to changes in foreign currency exchange, our Group's profitability may be adversely affected if we are unable to negotiate revised pricing with our customers. Further, should our Group decide not to pursue with the order, it may result in a loss of sales which may adversely affect our financial performance.

The rest of this page is intentionally left blank

9. RISK FACTORS (Cont'd)

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We face competition from other ICT products and services industry players

The ICT products and services industry is competitive, owing to the large number of industry players that compete for sales from businesses, government agencies, educational institutions and consumers from the general public. The competition is based on a variety of factors such as range of product offerings, competitive pricing, promotional activities, outlet location, outlet presentation and quality of customer service. The ICT products and services industry comprise industry players who are:

- (a) Companies and brand principals that are involved in the provision of ICT products, services and solutions through commercial channel;
- (b) Companies and brand principals that own and/or operate physical stores; and
- (c) Companies and brand principals that own and/or operate online retail platforms which include self-operated online stores as well as third party marketplaces.

In addition, the barriers to entry in the ICT products and services industry are generally low as ICT products can be easily sourced in the market and the upfront cost required can be low if a new industry player chooses to start with a small range of ICT product and service offerings. In order to remain competitive in the market and to have a sustainable business over the long term, industry players have to scale up their business, secure consistent supply of products and establish a strong logistics network and relationships with their suppliers in order to have a wide range of offerings and market reach, as well as a strong recognisable brand in the market. Further, industry players are required to continuously improve their product offerings and customer service levels to provide a conducive shopping experience to attract customers.

In view of the above, we need to constantly improve to maintain our competitive edge and take measures to provide quality products and services at competitive prices, ensuring good customer service and after-sales services, as well as employing effective marketing strategies. Any failure on our part to remain competitive in the ICT products and services industry would lead to reduced sales volume and impact our revenue and financial performance.

9.2.2 We may be exposed to the risk of supply disruption of ICT products resulting from global shortages of semiconductors

According to the IMR Report, semiconductor is an integral component to provide functions such as operations control, data processing and storage, input and output management, sensing, wireless connectivity and power management, which is essential to power ICT products, medical equipment and vehicles.

Following the global outbreak of the COVID-19 pandemic, the demand for medical equipment which is used for the treatment of infected patients increased. The demand for ICT products such as laptops, computers and smartphones also surged as a result of work from home arrangements and online classes for students due to closure of offices and educational institutions. As a result, semiconductor manufacturers increased manufacturing output to cater to the demand for semiconductor, mainly from these 2 industries. In contrast, with the imposition of movement controls in many countries, the demand for vehicles reduced, causing the cancellation of semiconductor orders from vehicle manufacturers.

9. RISK FACTORS (Cont'd)

With the reopening of economies, the demand for medical devices and ICT products have continued to increase, while the demand for other products such as vehicles began to normalise. As such, semiconductor manufacturers have been facing surges in the demand for semiconductor. With the same manufacturing capacities, semiconductor manufacturers have not been able to cope with the surging demand, causing a shortage in the supply of semiconductors. The shortage in the global supply of semiconductors has exacerbated in 2022, caused by the Russia-Ukraine conflict that disrupted the supply of neon gas used in semiconductor manufacturing; as well as the lockdowns in China which caused global supply chain disruptions. Correspondingly, prices of semiconductors have been increasing. As a result, the supply of ICT products was also affected which resulted in industry players experiencing supply disruptions. In addition, the cost of sales of industry players have also been increasing.

While our Group did not experience any material adverse impact on our business operations and financial performance due to such disruptions in supplies, there can be no assurance that any future disruption in the supply of ICT products will not have a negative impact on our Group's financial performance.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market.

9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occurs:

- (a) The selected investors fail to subscribe for their portion of our IPO Shares;
- (b) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and
- (c) We are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply, whereby in addition to our liability, our officers shall be jointly and severally liable to repay such money with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

9. RISK FACTORS (Cont'd)

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial performance. These factors may include variations in our financial performance, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.4 OTHER RISKS

9.4.1 Our Promoters will be able to exert significant influence over our Company

Our Promoters will collectively hold approximately 72.7% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will be able to control the business direction and management of our Group and as such there can be no assurance that the interests of our Promoters will be aligned with those of our other shareholders. The interests of our Promoters may differ from the interests of our other shareholders and they may be able to exercise significant influence over the vote of our Shares. Our Promoters could also have significant influence in determining the outcome of any corporate transactions or other matters submitted to our shareholders for approval. This includes the election of Directors, dividend policy, approval of business ventures and having voting control over our Group. As such, our Promoters will have significant influence on the outcome of any ordinary resolution (which requires a simple majority of 50% plus 1 voting share) to be tabled at general meeting, unless they are required to abstain from voting by law and/or as required by the relevant authorities (i.e. Bursa Securities).

The rest of this page is intentionally left blank

10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisitions and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during FYE 2019 to 2022 and up to LPD:

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2019	FYE 2020	FYE 2021	FYE 2022	1 February 2022 up to LPD					
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Apple PC Enterprise ("Apple PC")	AcruX	Liu Chen Chuan	Goay Ley Keow, the spouse of Liu Chen Chuan, is the owner of Apple PC.	Sales of ICT products to Apple PC	1,468	(2)0.2	1,252	(2)0.2	1,251	(2)0.2	N/A	N/A	N/A	N/A
				Purchases of ICT products from Apple PC	(304)	(3)<0.1	(763)	(3)0.1	(1,536)	(3)0.2	N/A	N/A	N/A	N/A
			Liu Chen Chuan was a former director and shareholder of AcruX. ⁽⁵⁾	Rental expense paid to Apple PC ⁽⁶⁾	(24)	(1)0.2	(24)	(1)0.2	-	-	N/A	N/A	N/A	N/A
ClickAsia (S) Pte Ltd ("ClickAsia (S)")	SNS Network Malaysia	<ul style="list-style-type: none"> Pah Wai Onn Ko See Meng 	Pah Wai Onn is our Executive Director and substantial shareholder. He was a director of ClickAsia (S) and substantial shareholder through his shareholdings in ClickAsia Sdn Bhd. ⁽⁷⁾	Sales of ICT products to ClickAsia (S)	43	(2)<0.1	-	-	-	-	N/A	N/A	N/A	N/A

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2019		FYE 2020		FYE 2021		FYE 2022		1 February 2022 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
ClickAsia Sdn Bhd ("ClickAsia")	SNS Network Malaysia	<ul style="list-style-type: none"> Pah Wai Onn Ko See Meng 	Ko See Meng is the father of Ko Yun Hung, who is our Managing Director and substantial shareholder. He was a substantial shareholder through his shareholdings in ClickAsia Sdn Bhd. ⁽⁷⁾	Sales of ICT products to ClickAsia	3,864	(2)0.7	619	(2)0.1	7,378	(2)1.0	N/A	N/A	N/A	N/A
				Sales of fast moving consumer goods ("FMCG") products to ClickAsia. ⁽¹⁵⁾	-	-	135	(2)<0.1	-	-	N/A	N/A	N/A	N/A
				Purchase of ICT products from ClickAsia	(1,383)	(3)0.3	(43)	(3)<0.1	(76)	(3)<0.1	N/A	N/A	N/A	N/A
				Purchase of FMCG products from ClickAsia. ⁽¹⁵⁾	-	-	(2)	(3)<0.1	-	-	N/A	N/A	N/A	N/A

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2019		FYE 2020		FYE 2021		FYE 2022		1 February 2022 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
ClickAsia	Notebook Plaza	<ul style="list-style-type: none"> Pah Wai Onn Ko See Meng 	Pah Wai Onn is our Executive Director and substantial shareholder. He was a director and substantial shareholder of ClickAsia. ⁽⁷⁾	Sales of ICT products to Notebook Plaza	97	⁽²⁾ <0.1	356	⁽²⁾ 0.1	133	⁽²⁾ <0.1	N/A	N/A	N/A	N/A
			Ko See Meng was a director and substantial shareholder of ClickAsia. ⁽⁷⁾ He is the father of Ko Yun Hung, who is our Managing Director and substantial shareholder.	Purchase of ICT products from Notebook Plaza	(7)	⁽³⁾ <0.1	(258)	⁽³⁾ <0.1	(132)	⁽³⁾ <0.1	N/A	N/A	N/A	N/A
Etika Komputer Sdn Bhd ("Etika Komputer")	SNS Network Malaysia	<ul style="list-style-type: none"> Pah Boon Kwong Teh Lee Lan 	Pah Boon Kwong was a director and substantial shareholder of Etika Komputer. ⁽⁸⁾ He is the father of Pah Wai Onn, who is our Executive Director and substantial shareholder.	Sales of ICT products to Etika Komputer	379	⁽²⁾ 0.1	518	⁽²⁾ 0.1	401	⁽²⁾ 0.1	N/A	N/A	N/A	N/A
				Purchase of ICT products from Etika Komputer	(79)	⁽³⁾ <0.1	(24)	⁽³⁾ <0.1	(19)	⁽³⁾ <0.1	N/A	N/A	N/A	N/A

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value										
					FYE 2019 RM'000	%	FYE 2020 RM'000	%	FYE 2021 RM'000	%	FYE 2022 RM'000	%	1 February 2022 up to LPD RM'000	%	
			Teh Lee Lan was a substantial shareholder of Etika Komputer. ⁽⁸⁾ She is the mother of Ko Yun Hung, who is our Managing Director and substantial shareholder.												
Etika Komputer	Notebook Plaza	<ul style="list-style-type: none"> Pah Boon Kwong Teh Lee Lan 	Pah Boon Kwong was a director and substantial shareholder of Etika Komputer. ⁽⁸⁾ He is the father of Pah Wai Onn, who is our Executive Director and substantial shareholder.	Sales of ICT products to Etika Komputer	-	-	-	27	(2)<0.1	N/A	N/A	N/A	N/A	N/A	N/A
			Teh Lee Lan was a substantial shareholder of Etika Komputer. ⁽⁸⁾ She is the mother of Ko Yun Hung, who is our Managing Director and substantial shareholder.	Purchase of ICT products from Etika Komputer	(507)	(30.1	-	-	-	-	N/A	N/A	N/A	N/A	N/A

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2019		FYE 2020		FYE 2021		FYE 2022		1 February 2022 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Intcomax Sdn Bhd ("Intcomax")	SNS Network Malaysia	Chiew Sam Mooi	Chiew Sam Mooi was a director and substantial shareholder of Intcomax. ⁽⁹⁾ She is the mother of Tham Sau Har and mother-in-law of Pah Wai Onn.	Sales of ICT products to Intcomax	2,158	(2)0.4	1,729	(2)0.3	1,832	(2)0.3	N/A	N/A	N/A	N/A
				Purchase of ICT products from Intcomax	(396)	(3)0.1	(11)	(3)<0.1	(17)	(3)<0.1	N/A	N/A	N/A	N/A
Intcomax	Notebook Plaza	Chiew Sam Mooi	Chiew Sam Mooi was a director and substantial shareholder of Intcomax. ⁽⁹⁾ She is the mother of Tham Sau Har and mother-in-law of Pah Wai Onn.	Sales of ICT products to Intcomax	-	-	142	(2)<0.1	466	(2)0.1	N/A	N/A	N/A	N/A
				Purchase of ICT products from Intcomax	(739)	(3)0.1	(478)	(3)0.1	(360)	(3)0.1	N/A	N/A	N/A	N/A
Intcomax (KB) Sdn Bhd ("Intcomax (KB)")	SNS Network Malaysia	Chiew Sam Mooi	Chiew Sam Mooi was a director and substantial shareholder of Intcomax (KB). ⁽⁹⁾ She is the mother of Tham Sau Har and mother-in-law of Pah Wai Onn.	Sales of ICT products to Intcomax (KB)	1	(2)<0.1	1	(2)<0.1	4	(2)<0.1	N/A	N/A	N/A	N/A
				Service charges paid to Intcomax (KB) ⁽¹⁶⁾	(22)	(3)>0.1	(23)	(3) <0.1	(21)	(3) <0.1	N/A	N/A	N/A	N/A

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2019		FYE 2020		FYE 2021		FYE 2022		1 February 2022 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Microblue Sdn Bhd ("Micro-blue")	SNS Network Malaysia	Pah Wai Onn	Pah Wai Onn was a director and substantial shareholder of Microblue. ⁽¹⁰⁾ He is also our Executive Director and substantial shareholder.	Sales of ICT products to Microblue	4,006	(²)0.7	3,346	(²)0.5	1,059	(²)0.1	N/A	N/A	N/A	N/A
				Purchase of ICT products and broadband services from Microblue	(1,906)	(³)0.3	(517)	(³)0.1	(1,085)	(³)0.2	N/A	N/A	N/A	N/A
Micropurple Sdn Bhd ("Micro-purple")	SNS Network ICT	Pah Wai Onn	Pah Wai Onn was a director and substantial shareholder of Micropurple. ⁽¹¹⁾ He is also our Executive Director and substantial shareholder.	Web portal maintenance subscription fees to Micropurple	79	(²)<0.1	79	(²)<0.1	79	(²)<0.1	N/A	N/A	N/A	N/A
				Sales of ICT products and broadband services to Micropurple	6,918	(²)1.2	2,922	(²)0.4	1,427	(²)0.2	N/A	N/A	N/A	N/A
				Purchase of ICT products and broadband services from Micropurple	(5,919)	(³)1.1	(4,962)	(³)0.8	(4,828)	(³)0.7	N/A	N/A	N/A	N/A

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2019 RM'000	%	FYE 2020 RM'000	%	FYE 2021 RM'000	% ⁽²⁾ <0.1	FYE 2022 RM'000	%	1 February 2022 up to LPD RM'000	%
Micropurple	Notebook Plaza	Pah Wai Onn	Pah Wai Onn was a director and substantial shareholder of Micropurple. ⁽¹¹⁾ He is also our Executive Director and substantial shareholder.	Sales of ICT products to Micropurple	-	-	-	-	32	(2)<0.1	N/A	N/A	N/A	N/A
Ko Yun Hung	GLOO	Ko Yun Hung	Ko Yun Hung is our Managing Director and substantial shareholder.	Rental expense paid to Ko Yun Hung ⁽¹²⁾	(30)	(1)0.3	(30)	(1)0.2	(46)	(1)0.4	(42)	(1)0.2	(18)	(1)0.3
Ko Yun Hung	SNS Network Malaysia	Ko Yun Hung	Ko Yun Hung is our Managing Director and substantial shareholder.	Rental expense paid to Ko Yun Hung ⁽¹³⁾	-	-	-	-	(50)	(1)0.4	(50)	(1)0.3	(21)	(1)0.3
				Rental expense paid to Ko Yun Hung ⁽¹⁴⁾	(13)	(1)0.1	(13)	(1)0.1	(13)	(1)0.1	(3)	<0.1	N/A	N/A
				Disposal of motor vehicle to Ko Yun Hung	-	-	-	-	-	-	325	(4)0.3	N/A	N/A
Ko See Meng	SNS Network Malaysia	Ko See Meng	Ko See Meng is the father of Ko Yun Hung, who is our Managing Director and substantial shareholder.	Rental expense paid to Ko See Meng ⁽¹³⁾	(50)	(1)0.4	(50)	(1)0.4	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2019		FYE 2020		FYE 2021		FYE 2022		1 February 2022 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Pah Wai Onn	SNS Network Services	Pah Wai Onn	Pah Wai Onn is our Executive Director and substantial shareholder.	Disposal of motor vehicles to Pah Wai Onn	-	-	-	-	-	-	38	<0.1	N/A	N/A
Siow Wei Ming	Notebook Plaza	Siow Wei Ming	Siow Wei Ming is our Executive Director and substantial shareholder.	Disposal of motor vehicle to Siow Wei Ming	-	-	-	-	-	-	210	(4)0.2	N/A	N/A
Eng Su Fern	SNS Network Malaysia	Eng Su Fern	Eng Su Fern is our Development Director and shareholder.	Disposal of motor vehicle to Eng Su Fern	-	-	40	(4)<0.1	-	-	125	(4)0.1	N/A	N/A
Siow Wei Shan	Notebook Plaza	Siow Wei Shan	Siow Wei Shan is our shareholder.	Disposal of motor vehicle to Siow Wei Shan	110	(4)0.3	-	-	-	-	N/A	N/A	N/A	N/A

Notes:

N/A Not applicable as these companies were no longer related parties from 1 February 2021 up to LPD.

(1) Calculated based on our Group's total administrative expenses for each of the respective financial years/period.

(2) Calculated based on our Group's revenue for each of the respective financial years/period.

(3) Calculated based on our Group's cost of sales for each of the respective financial years/period.

(4) Calculated based on our Group's NA for each of the respective financial years/period.

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (5) On 20 January 2021 and 23 January 2021 respectively, he resigned as a director and disposed his entire 50.0% shareholdings in Acrux to Ko Yun Hung. Thereafter, Apple PC ceased to be a related party of the Group.
- (6) We rented a residential property located at 19A, Jalan Emas Putih, Taman Sri Putri, 81300 Skudai, Johor Bahru. This rental arrangement ceased on 31 January 2020.
- (7) On 14 January 2021 and 21 January 2021 respectively, Pah Wai Onn and Ko See Meng resigned as director and disposed their entire shareholdings in ClickAsia to Yeat Chow Tiong, a non-related party. Thereafter, ClickAsia ceased to be a related party of the Group. Ko See Meng's shareholdings in ClickAsia was held on trust for Ko Yun Hung, and he was not involved in the day-to-day operations of ClickAsia. ClickAsia is not a holding company of ClickAsia (S) as it only holds 49.0% equity interest in ClickAsia (S). However on 10 August 2021, ClickAsia (S) has been struck off.
- (8) On 21 January 2021, both Pah Boon Kwong and Teh Lee Lan disposed their entire shareholdings in Etika Komputer to Azlina Binti Mohd Sharip, a non-related party. Pah Boon Kwong also resigned as a director on 15 January 2021. They were not involved in the day-to-day operations of Etika Komputer. Thereafter, Etika Komputer ceased to be a related party of the Group.
- (9) Chiew Sam Moi shareholdings in Intcomax and Intcomax (KB) was held on trust for Tham Sau Har, and she was not involved in the day-to-day operations of Intcomax and Intcomax (KB). On 21 January 2021, she disposed her entire shareholdings in Intcomax and Intcomax (KB) to Azlina Binti Mohd Sharip, a non-related party. Chiew Sam Moi also resigned as a director in both companies on 15 January 2021. Thereafter, Intcomax and Intcomax (KB) ceased to be related parties of the Group.
- (10) On 14 January 2021 and 23 January 2021 respectively, he resigned as director and disposed his entire shareholdings in Microblue to Yeat Chow Tiong and Cheah Thean Soo, non-related parties. Thereafter, Microblue ceased to be a related party of the Group.
- (11) On 14 January 2021 and 21 January 2021 respectively, he resigned as director and disposed his entire shareholdings in Micropurple to Yong Kong Weei and Yeat Chow Tiong, non-related parties. Thereafter, Micropurple ceased to be a related party of the Group.
- (12) We rent a shop lot located at 1-G, Jalan Meru Bestari B5 Medan Meru Bestari, 30020 Ipoh, Perak from Ko Yun Hung to be operated as an authorised dealer selling TM products and services (i.e. TMpoint). The tenancy period is from 1 October 2021 to 30 September 2022 with the option to renew for another one year. Upon Listing, we will exercise the option to renew the tenancy.
- (13) We initially rented an office unit located at C-11-02, Block C, 3 Two Square, Jalan 19/1, 46300 Petaling Jaya, Selangor from Ko See Meng to be used as SNS Network Malaysia's office for FYE 2019 and FYE 2020. From FYE 2021 up to LPD, we started to pay the rental to Ko Yun Hung as Ko See Meng did not want to be involved with the management of the office unit. The tenancy period is from 27 January 2022 to 26 January 2023 with the option to renew for another one year. Upon Listing, we will exercise the option to renew the tenancy.

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (14) We rented a residential property to serve as temporary housing for our employee(s) when they travel from Ipoh to Klang Valley, located at 43, Jalan Sepah Puteri 5/2 Kota Damansara, 47810 Petaling Jaya, Selangor. The tenancy commenced on 1 February 2021 and is rented on a monthly basis. This rental arrangement ceased on 30 April 2021 and we do not intend to renew the tenancy.
- (15) In FYE 2019, we were approached by Tohtonku Sdn Bhd, a company who manufactures and supplies various household and personal care products to start selling FMCG products via third party marketplaces due to our experience in e-commerce. After a year of sales, we decided to focus on our core business (i.e. provision of ICT products, services and solutions) and sold all the FMCG products held as inventories to ClickAsia. Subsequently, we purchased some of the FMCG products back from ClickAsia to fulfil pending sales orders from customers.
- (16) Relates to logistic fees paid to Intcomax (KB). Retail customers who require warranty claims from the purchase of our ICT products in Kelantan will send the affected ICT product(s) to our outlets in Kelantan. After which, Intcomax (KB) will collect the ICT products for onward sending to the designated service centre, and send back the repaired ICT products back to our outlets for customers' collection.

Our Directors are of the view that all our related party transactions were conducted on arm's length basis and on competitive commercial terms not more favourable to the related parties.

The rest of this page is intentionally left blank

10. RELATED PARTY TRANSACTIONS (Cont'd)

Save for the rental of the two shop lots from Ko Yun Hung, there are no subsisting agreements with related parties after our Listing. The total rental expense from such rental is less than RM0.10 million per annum and the tenancy will expire on 30 September 2022 and 26 January 2022 respectively (both with an option to renew for one year). Further details on the rental are set out in Section 6.9.2 and Appendix II. Our Audit and Risk Management Committee has reviewed the current rental terms for the rental of our two shop lots from Ko Yun Hung based on the then prevailing market rental rates and is of the opinion that it is fair, reasonable and on normal commercial terms and not detrimental to the interest of the non-interested shareholders of our Group and is in the best interest to our Group.

The renewal terms of such rental will be reviewed by our Audit and Risk Management Committee and our Board shall seek the relevant approval from our shareholders to enter into such recurrent related party transaction at a general meeting.

Our Directors (save for Ko Yun Hung and Pah Wai Onn, who abstained from deliberation as they were interested in the transactions) are of the view that all our related party transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties, based on the following considerations:

- (a) The sales and purchases of ICT products were based on comparable selling price to our external customers or purchase costs from our external suppliers;
- (b) The rental expense paid to Ko Yun Hung and Ko See Meng were based on the then prevailing market rental rates;
- (c) The web portal maintenance fee was based on comparable price charged to our external customer and also based on our pricing strategy for this service as previously disclosed in our business plan to the Malaysia Digital Economy Corporation (then known as Multimedia Development Corporation Sdn Bhd), an agency under the Ministry of Communications and Multimedia Malaysia;
- (d) The sales and purchases of broadband services were based on market prices; and
- (e) The service charges for warranty claims and logistics paid to Intcomax (KB) was based on the estimated cost incurred by our Group for similar in-house services in respect of other outlets of our Group.

Moving forward, in order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(a) Recurrent related party transactions

- (i) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products/services and/or quantities; or
- (ii) If quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

10. RELATED PARTY TRANSACTIONS (Cont'd)

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at a general meeting. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

(b) Other related party transactions

- (i) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (ii) The rationale for the Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and the nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with such Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from deliberating and voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from deliberating and voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting. The relevant directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

10.2 OTHER TRANSACTIONS

10.2.1 Transactions entered into that are unusual in their nature or conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for FYE 2019 to 2022 and up to LPD.

10.2.2 Outstanding loans (including guarantees of any kind)

(a) Outstanding loans and/or balances

As at the date of this Prospectus, there are no outstanding loans made by our Group to/for the benefit of a related party or granted by the related parties for the benefit of our Group.

(b) Guarantees

Our Promoters, namely Ko Yun Hung, Pah Wai Onn, Siow Wei Ming, Eng Su Fern and Tham Sau Har have jointly and severally provided personal guarantees for the banking and leasing facilities extended by 11 financial/non-financial institutions, namely CIMB Bank Berhad, CIMB Islamic Bank Berhad, Malayan Banking Berhad, Maybank Islamic Berhad, Public Bank Berhad, RHB Bank Berhad, RHB Islamic Bank Berhad, United Overseas Bank (Malaysia) Berhad, Affin Bank Berhad, BMW Credit (Malaysia) Sdn Bhd and Mitsubishi HC Capital Malaysia Sdn Bhd (formerly known as Hitachi Capital Malaysia Sdn Bhd) ("**Financiers**"). The details of the facilities are set out as follows:

<u>Financiers</u>	<u>Type of Facilities</u>	<u>Outstanding balance and amount guaranteed as at LPD (RM'000)</u>	<u>Facility limit (RM'000)</u>	<u>Guarantors</u>
CIMB Islamic Bank Berhad	1 Term Loan and 4 Trade Facilities	28,984	39,850	Eng Su Fern Ko Yun Hung Pah Wai Onn Tham Sau Har
CIMB Bank Berhad	1 Term Loan	384	500	Pah Wai Onn Siow Wei Ming
Malayan Banking Berhad	1 Trade Facility	1,757	2,504	Ko Yun Hung Tham Sau Har Eng Su Fern
	9 Hire Purchase Facilities	538	995	Ko Yun Hung
Maybank Islamic Berhad	1 Term Loan	750	1,000	Ko Yun Hung Tham Sau Har Eng Su Fern
	1 Trade Facility	602	4,500	Pah Wai Onn Siow Wei Ming

10. RELATED PARTY TRANSACTIONS (Cont'd)

<u>Financiers</u>		<u>Type of Facilities</u>		<u>Outstanding balance and amount guaranteed as at LPD (RM'000)</u>	<u>Facility limit (RM'000)</u>	<u>Guarantors</u>
Public Berhad	Bank	3	Term Loans and 3 Trade Facilities	4,539	10,633	Ko Yun Hung Tham Sau Har Eng Su Fern Pah Wai Onn Siow Wei Ming
		5	Hire Purchase Facilities	236	416	Ko Yun Hung
RHB Berhad	Bank	1	Term Loan and 7 Trade Facilities	8,073	13,875	Ko Yun Hung Tham Sau Har Eng Su Fern Pah Wai Onn Siow Wei Ming
RHB Bank Berhad	Islamic	1	Term Loan and 1 Trade Facility	14,466	21,250	Ko Yun Hung Tham Sau Har Eng Su Fern
		3	Hire Purchase Facilities	71	224	Ko Yun Hung
United Overseas Bank (Malaysia) Berhad	Overseas		Corporate Credit Limit	-(1)	700	Ko Yun Hung Tham Sau Har Eng Su Fern
Affin Berhad	Bank	2	Hire Purchase Facilities	-(2)	129	Ko Yun Hung
BMW (Malaysia) Bhd	Credit Sdn	1	Hire Purchase Facility	112	336	Ko Yun Hung
Mitsubishi Capital Sdn Bhd (formerly known as Hitachi Capital Malaysia Sdn Bhd)	HC Malaysia Bhd	2	Hire Purchase Facilities	606	2,025	Ko Yun Hung Tham Sau Har
Total				61,118	98,937	

10. RELATED PARTY TRANSACTIONS (Cont'd)**Notes:**

- (1) The corporate card has not been utilised.
 (2) The facilities have been settled by our Group on 13 July 2021.

In addition to the personal guarantees, our Promoters have also provided personal properties as security for the banking facilities extended by Public Bank Berhad and RHB Bank Berhad ("**Personal Security**"). The details of the facilities are set out as follows:

Financiers	Type of Facilities	Outstanding balance and amount guaranteed as at LPD (RM'000)	Facility limit (RM'000)	Securities Parties
Public Bank Berhad	3 Term Loans and 3 Trade Facilities	4,539	10,633	Ko Yun Hung Pah Wai Onn Eng Su Fern Tham Sau Har Siow Wei Ming
RHB Bank Berhad	1 Term Loan and 7 Trade Facilities	8,073	13,875	Ko Yun Hung Pah Wai Onn Eng Su Fern Tham Sau Har
Total		12,612	24,508	

In conjunction with the Listing, we have applied to the Financiers to obtain a release and/or discharge of the guarantees as well as the Personal Security by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, our Promoters will continue to guarantee and the Personal Security will remain intact as security for the banking facilities extended to our Group.

Save for Affin Bank Berhad (of which we have fully settled the facilities extended by them to our Group), at the date of this Prospectus, we have received conditional approvals from all our Financiers to discharge the above guarantees and Personal Security by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the Financiers. The conditions imposed by the Financiers include, amongst others, the following:

- (i) successful listing of the Company on the ACE Market of Bursa Securities;
 (ii) the relevant documents and information on the Company to be furnished for the Financier's necessary credit evaluation and approval;
 (iii) a valuation report from a valuer on the Financier's panel to be submitted to the Financier in respect of certain properties offered as security reflecting market value of not less than that as determined by the Financier prior to the discharge.

10. RELATED PARTY TRANSACTIONS (Cont'd)

Our Promoters have also jointly and severally provided personal guarantees pursuant to the tenancy agreements entered into by our Group in relation to the retail outlets located in 6 malls ("**Landlords**") as well as the supplier agreements entered into by our Group with 21 suppliers ("**Suppliers**"). We have applied to the Landlords and Suppliers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the Landlords and Suppliers.

1 of the Landlords and 2 of the Suppliers have imposed additional conditions as follows:

- (i) an additional 3 months security deposit to be imposed;
- (ii) the Company to go through a credit vetting process upon its Listing; or
- (iii) the Company to provide the Supplier with its latest financial reports in order for the Supplier to assess its financial condition.

As at the date of this Prospectus, we have received conditional approvals from all the Landlords and Suppliers to discharge the personal guarantees by substituting the same with a corporate guarantee from our Company.

Until such release and/or discharge are obtained from the respective Landlords and Suppliers, our Promoters will continue to guarantee the obligations pursuant to such tenancy agreements and supplier agreements. We plan to discharge all listed guarantees and/ or Personal Security prior to the registration of this Prospectus.

10.2.3 Promotions of any material assets acquired/to be acquired within 3 financial years preceding the date of this Prospectus

None of our Directors or substantial shareholders had any interest, direct or indirect, in the promotion of or in any material assets which had been, within FYE 2019 to 2022, acquired, disposed or leased or proposed to be acquired, disposed or leased to/by us.

10.2.4 Transactions entered into with M&A Securities

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Underwriter and Placement Agent for our Listing:

- (a) Agreement dated 1 April 2021 between SNS Network Malaysia and M&A Securities for the appointment of M&A Securities as Adviser, Placement Agent and Sponsor for our Listing; and
- (b) Underwriting Agreement dated 14 June 2022 entered into between our Company and M&A Securities for the underwriting of 129,022,400 Issue Shares.

11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND SUPPLIERS

As at LPD, none of our Directors or substantial shareholders has any interest, direct or indirect, in other businesses or corporations which are:

- (a) carrying on a similar or related trade as our Group; or
- (b) customers and/or suppliers of our Group.

Moving forward, our Audit and Risk Management Committee will supervise any actual conflict of interest or potential conflict of interest situations.

In order to mitigate any possible conflict of interest situation, our Directors will declare to our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group.

Our Audit and Risk Management Committee will then evaluate if such Director's involvement gives rise to a potential conflict of interest situation with our Group's business. When a determination has been made that there is a conflict of interest of a Director, our Audit and Risk Management Committee will:

- (aa) Immediately inform our Board of the conflict of interest situation;
- (bb) Make recommendations to our Board to direct the conflicted Director to:
 - (i) Withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and
 - (ii) Abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (bb) above, the conflicted Director shall abstain from any Board discussion relating to the recommendation of our Audit and Risk Management Committee and the conflicted Director shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Audit and Risk Management Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

11. CONFLICT OF INTEREST (Cont'd)

11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

- (a) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Underwriter and Placement Agent for our Listing.
- (b) Rosli Dahlan Saravana Partnership has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing.
- (c) Deloitte PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing.
- (d) Smith Zander International Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

The rest of this page is intentionally left blank
